

**GREENVILLE TECHNICAL COLLEGE**

**Independent Auditors' Report**

**Financial Statements  
For the Years Ended June 30, 2009  
and June 30, 2008**

# **GREENVILLE TECHNICAL COLLEGE**

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**Greenville Technical College**  
Post Office Box 5616  
Greenville, South Carolina 29606

AUDIT PERIOD: July 1, 2008-June 30, 2009

<b><u>Area Commission Members</u></b>	<b><u>District</u></b>	<b><u>Term Expires</u></b>
Mr. Paul O. Batson, III	24	May 30, 2010
Mr. Coleman Shouse	-	Ex-Officio
Mr. T. Walter Brashier	17	May 30, 2010
Mrs. Gale B. Crawford	24	June 30, 2009 *
Dr. Phinnize J. Fisher, Superintendent	-	Ex-Officio
Rev. O.T. Hill	21	May 30, 2011
Ms. Jennie M. Johnson	18	May 30, 2011
Megan Hickerson	-	Ex-Officio
Dr. Robert A. Wilson	17	May 30, 2010
Vacant – awaiting Governor's appointment		May 30, 2012

**Key Administrative Staff**

Dr. Keith Miller	President
Mrs. Jacqueline R. DiMaggio	VP for Finance
Mrs. Cynthia Eason	VP for Corporate & Economic Development
Mr. J. Curtis Harkness	VP for Administration & Diversity
Mr. Steven B. Valand	VP for Education
Ms. Susan M. Jones	Director Human Resources

**Area Served by the Commission**

Greenville County

**County providing financial support**

Greenville County

\*Commissioner's term will continue until Governor appoints replacement

CLINE BRANDT KOCHENOWER  
& Co., P.A.  
Certified Public Accountants  
*Established 1950*

ALBERT B. CLINE, CPA  
RAYMOND H. BRANDT, CPA  
BEN D. KOCHENOWER, CPA, CFE, CVA  
STEVEN L. BLAKE, CPA, CFE  
TIMOTHY S. BLAKE, CPA  
JENNIFER J. AUSTIN, CPA

Independent Auditors' Report

Greenville Technical College  
Greenville, South Carolina

We have audited the accompanying basic financial statements of Greenville Technical College, a component unit of the South Carolina Technical and Comprehensive Education Board, as of and for the years ended June 30, 2009 and June 30, 2008. These basic financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these basic financial statements based on our audits. We did not audit the financial statements of the discretely presented component unit, the Greenville Tech Foundation, Inc. and Subsidiaries. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion on the financial statements, insofar as it relates to the amounts included for the discretely presented component unit, the Greenville Tech Foundation, Inc. and Subsidiaries, is based solely on the report of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the revised July, 2009 *State Board Audit Guide*. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Greenville Tech Foundation, Inc. and Subsidiaries were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Greenville Technical College and its discretely presented component unit, as of June 30, 2009 and June 30, 2008, and the results of its operations and the changes in net assets and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2009 on our consideration of Greenville Technical College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant and agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

We have also issued our report dated September 17, 2009 on our consideration of Greenville Technical College administration of the State Lottery Assistance Program and on our test of its compliance with certain provisions of State law and policy 3-2-307 and Procedure 3-2-307.1 of the State Board for Technical and Comprehensive Education.

The management's discussion and analysis as listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Clin Bennett / Kh & Co. PA*

September 17, 2009



## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Greenville Technical College is pleased to present its financial report and management's discussion and analysis of the College's financial performance for the fiscal year ended June 30, 2009. This report focuses on current activities, resulting change and currently known facts, and provides a comparison with the prior fiscal year. This discussion should be read in conjunction with the financial statements and the accompanying notes which follow this section.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

This report consists of a series of financial statements, prepared in accordance with the Governmental Accounting Standards Board (GASB) in Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments* and Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Colleges and Universities*.

The College is engaged only in Business-Type Activities (BTA) that are financed in part by fees charged to students for educational services. Accordingly, its activities are reported using the three financial statements required for proprietary funds: the Statement of Net Assets; the Statement of Revenues, Expenses and Changes in Net Assets; and the Statement of Cash Flows. These statements present financial information in a format similar to that used by the private sector.

## **STATEMENT OF NET ASSETS**

The Statement of Net Assets provides a snapshot of the College's assets, liabilities and net assets at the end of the fiscal year. It provides the reader with information concerning the institution's ability to continue its operations and to determine its financial stability. Assets and liabilities are separated into current, those that are due or to be paid within the current year and non-current, those that are longer term in nature. Net Assets represent the difference between total assets and total liabilities and provides information, in part, concerning any amount available to be spent by the institution.

Net Assets are divided into three major categories. The first category, *invested in capital assets, net of related debt*, provides the equity in property, plant and equipment owned by the College. The next category, which is *restricted net assets*, is expendable in nature and has been approved by the College's governing board specifically for capital projects, and debt service, as indicated. The final category of net assets is *unrestricted*, and not subject to external stipulations, however, some of the funds have internal designations. For more information see Note 11.

## Assets

The following schedule is a condensed version of the College's assets, liabilities and net assets and is prepared from the Statement of Net Assets (page 13) which is presented on an accrual basis of accounting whereby assets are capitalized and depreciated. Total net assets at June 30, 2009, increased to \$77.1 million from \$75.2 million at June 30, 2008.

<b>Condensed Summary of Net Assets</b> <b>As of June 30, 2009 and 2008</b> <b>(in millions)</b>				
	<u>2009</u>	<u>2008</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Current Assets	\$ 34.6	\$ 35.0	\$ (0.4)	(1.1)
Non-current Assets				
Capital Assets, Net of Accumulated Depreciation	<u>95.4</u>	<u>97.3</u>	<u>(1.9)</u>	<u>(2.0)</u>
Total Assets	<u>130.0</u>	<u>132.3</u>	<u>(2.3)</u>	<u>(1.7)</u>
Current Liabilities	10.7	12.2	(1.5)	(12.3)
Non-current Liabilities	<u>42.2</u>	<u>45.0</u>	<u>(2.8)</u>	<u>(6.2)</u>
Total Liabilities	<u>52.9</u>	<u>57.2</u>	<u>(4.3)</u>	<u>(7.5)</u>
Net Assets				
Investment in Capital Assets	57.5	56.8	0.7	1.2
Restricted	7.8	9.0	(1.2)	(13.3)
Unrestricted	<u>11.8</u>	<u>9.4</u>	<u>2.4</u>	<u>25.5</u>
Total Net Assets	<u>\$ 77.1</u>	<u>\$ 75.2</u>	<u>\$ 1.9</u>	<u>2.5</u>

A strong indicator of the financial health of the College is the improvement in the approximate 3.2:1 ratio of current assets in the amount of \$34.6 million to current liabilities in the amount of \$10.7 million. The College maintains fiscally sound budget practices that provide for the conservative balance between the two categories.

Current assets decreased slightly \$0.4 million while current liabilities decreased \$1.5 million. Overall, assets decreased \$2.3 million for the fiscal year. The changes are explained as follows:

- The total of cash and investments increased from \$0.1 million to \$19.4 million.
- Accounts Receivable decreased approximately \$0.2 million; the College increased its allowance of doubtful account balance approximately \$0.6 million. The allowance increased to \$2.2 million at June 30, 2009 from \$1.6 million for the prior year. This increase was intended to insure that the College had adequate reserves given the challenges students are facing in the current economic climate.



- Bond proceeds receivable had a negligible decrease from the prior year, while \$0.2 million was expended as projects have begun; interest income of \$0.1 million was recorded.
- Inventories increased \$0.2 million as the Bookstore prepared for increased enrollment.
- Other assets, primarily prepaid expenses, decreased approximately \$0.5 million.

Non-current assets are primarily capital assets net of depreciation and other assets, which is comprised primarily of restricted cash. Capital assets net of depreciation were \$57.5 million for the year, an increase of \$0.7 million from the prior year. See Note 8 for additional information.

- Construction in progress increased by \$0.9 million, this is a result of the architectural and engineering expenses on three renovation projects, the Student Center renovation, the renovation of the C Wing of the Industrial Complex for a Welding Lab and the renovation of the auditorium in the College's University Transfer Building. All of those projects will be completed in the next 12 months. In addition, the College is in the process of a major outdoor lighting upgrade on the Barton Campus. That project will also be completed and capitalized in fiscal year 2009-2010. Two renovation projects were completed and capitalized in fiscal year 2008-09.
- Depreciation expense accounted for \$4.4 million. See Note 8 for additional information. Accumulated depreciation increased \$3.6 million as a result of the depreciation expense and retirements of assets

The following table contains an analysis of capital assets as of June 30, 2009 and 2008.

<b>Analysis of Capital Assets</b> <b>As of June 30, 2009 and 2008</b> <b>(in millions)</b>				
	<b>2009</b>	<b>2008</b>	<b>Increase (Decrease)</b>	<b>Percent Change</b>
Land and Land Improvements	\$ 16.0	\$ 16.0	\$ -	-
Buildings and Improvements	117.0	116.5	0.5	0.4
Machinery and Equipment	11.4	11.1	0.3	2.7
Vehicles	1.4	1.4	-	-
Construction in Progress	1.1	0.2	0.9	450.0
	<u>\$ 146.9</u>	<u>\$ 145.2</u>	<u>\$ 1.7</u>	<u>1.2</u>
Less: Accumulated Depreciation	<u>(51.5)</u>	<u>(47.9)</u>	<u>(3.6)</u>	<u>7.5</u>
Net Capital Assets	<u>\$ 95.4</u>	<u>\$ 97.3</u>	<u>\$ (1.9)</u>	<u>(2.0)</u>

### Liabilities

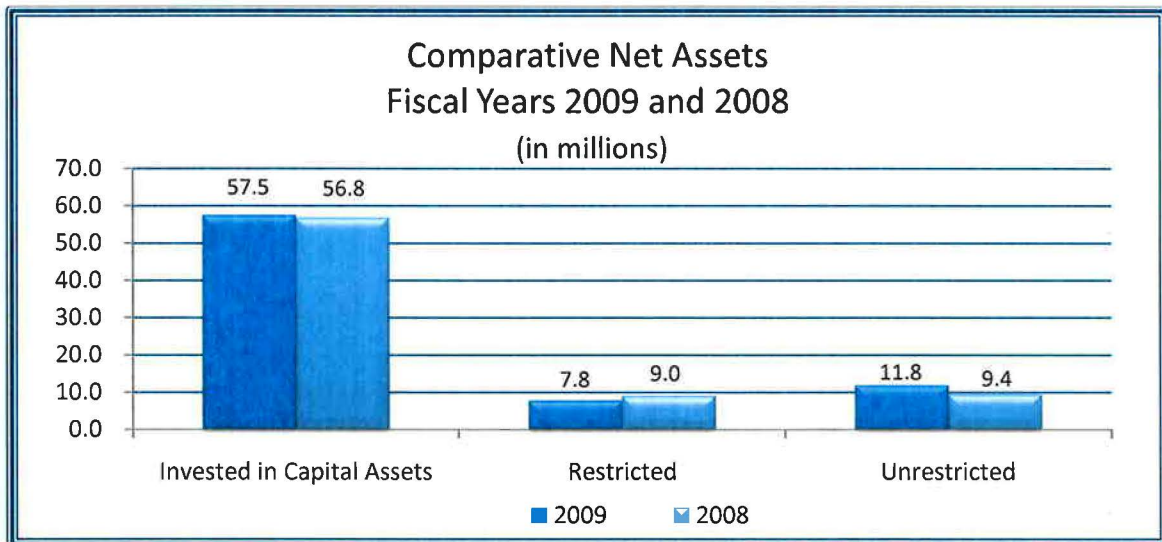
Total liabilities were \$52.9 million, which is a decrease of \$4.3 million over the prior fiscal year. Current liabilities decreased by \$1.5 million primarily as a result of decreases in accounts payable of \$2.0 million mainly due to construction payables. Increases in accrued payroll of \$0.4 million and deferred revenues of \$1.5 million offset decreases in funds held for others of \$1.6 million. Accrued compensated absences accounted for a negligible increase and payments on bond indebtedness and capital leases resulted in a \$2.8 million decrease in non-current liabilities. See Note 16 for additional information.

### Net Assets

Total net assets at June 30, 2009 were \$77.1 million, up by \$1.9 million from the prior fiscal year.

Investment in capital assets increased \$0.7 million to \$57.5 million from \$56.8 million the prior fiscal year.

Restricted net assets have decreased by \$1.2 million as a result of decreases in encumbered funds for capital projects. Unrestricted net assets have increased by \$2.4 million. Planned uses for unrestricted net assets can be found in Note 11.



### STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

The Statement of Revenues, Expenses and Changes in Net Assets presents and categorizes revenues earned and expenses incurred during the year as operating and non-operating. Generally, operating revenues and expenses are those which are received and used to carry out the mission of the College. The College depends heavily on financial support from the state and county for which services are provided. This support is reflected as non-operating revenue based on governmental accounting standards. The College will always reflect an operating deficit due to the dependence on state and local funding. Non-operating revenues and expenses offset the operating deficit and result in

an overall increase in net assets for the year. State capital appropriations and capital grants and gifts are considered neither operating nor non-operating revenues and are reported after “income before other revenues, expenses, gains or losses.”

### Operating Results

The following schedule summarizes the College’s operating results for fiscal year ended June 30, 2009 with comparative data for fiscal year ended June 30, 2008.

Operating Results for the Years Ended June 30, 2009 and 2008 (in millions)				
	2009	2008	Increase (Decrease)	Percent Change
Operating Revenues				
Tuition and Fees	\$ 27.6	\$ 27.5	\$ 0.1	0.4
Federal Grants and Contracts	22.5	18.0	4.5	25.0
State and Local Grants and Contracts	13.4	13.4	-	-
Auxiliary	5.4	5.1	0.3	5.9
Other	1.2	1.1	0.1	9.1
Total	70.1	65.1	5.0	7.7
Less Operating Expenses	99.2	98.5	0.7	0.7
Net Operating Loss	(29.1)	(33.4)	4.2	(12.6)
Non-Operating Revenues (expenses)				
State Appropriations	19.4	25.0	(5.6)	(22.4)
State and Local Grants and Contracts	1.3	1.5	(0.2)	(13.3)
Federal Grants and Contracts	0.8	0.7	0.1	14.3
County Appropriations	9.9	9.2	0.7	7.6
Gain/(loss) on disposal of fixed asset	-	(0.1)	0.1	-
Interest Expense	(1.8)	(1.7)	(0.1)	5.9
Interest Income	0.5	1.2	(0.7)	(58.3)
Total	30.1	35.8	(5.7)	(15.9)
Capital Appropriations	0.9	3.0	(2.1)	(70.0)
Increase in Net Assets	1.9	5.4	(3.5)	(64.8)
Net Assets (beginning of year)	75.2	69.8	5.4	7.7
Net Assets (end of year)	77.1	75.2	1.9	2.5
Total Revenues	\$ 102.9	\$ 105.6	\$ (2.7)	(2.6)

### Revenue

Total revenue decreased from \$105.6 million in the prior fiscal year to \$102.9 million, a decrease of \$2.7 million or 2.6 percent.

Operating revenue increased consistently over all sources for a total of \$5.0 million or 7.7 percent, while non-operating revenue decreased by \$5.7 million or 15.9 percent. The increase in tuition and fees is primarily a result of a small price increase in conjunction with significant enrollment growth as compared to the prior year. Grants and contracts

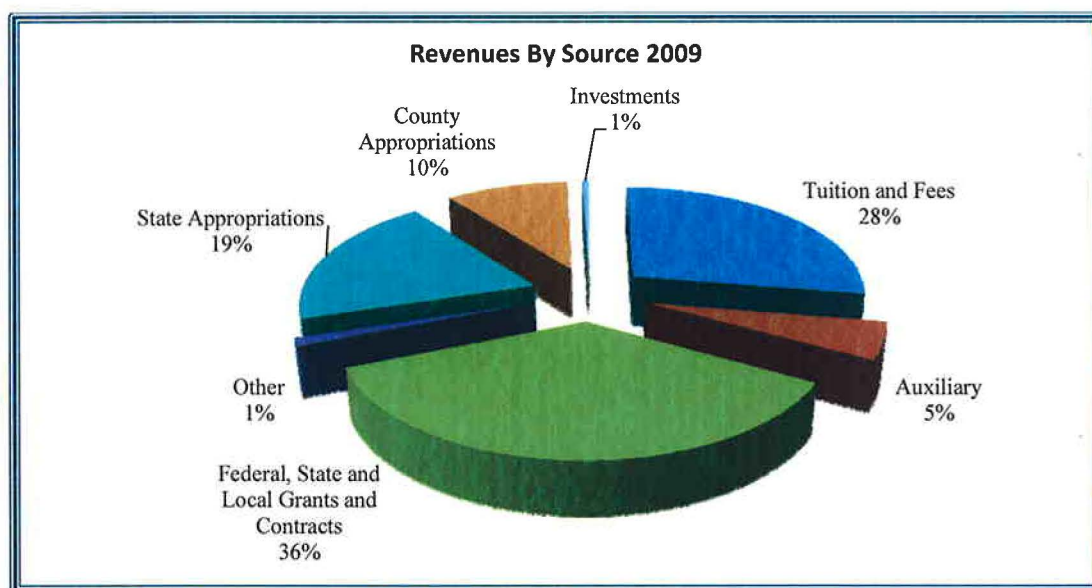


are in line with the enrollment growth and the increase in the Pell grant award. For auxiliary services, the increase is primarily due to bookstore volume increases as a result of market expansion.

The decreases in non-operating revenue occurred primarily in state level. The College sustained unprecedented cuts in state funding. State appropriations for operations decreased \$5.6 million or 22.4%. This was further complicated by decreases in interest income as a result of low interest rates on investments. Increases in local appropriations of \$0.7 million from Greenville County helped to offset some of these decreases.

The increase of \$2.1 million or 70% in state capital appropriations was very difficult to overcome. These appropriations are primarily for the debt service on the former McAlister Square Mall and operating expenses related to the University Center of Greenville. The costs (debt service and utilities) associated with these appropriations are fixed and recurring while the appropriations are dwindling. This is creating an additional financial strain on the College's funds.

The following graph represents sources and percentages of revenue to the College for the fiscal year.



### Expenses

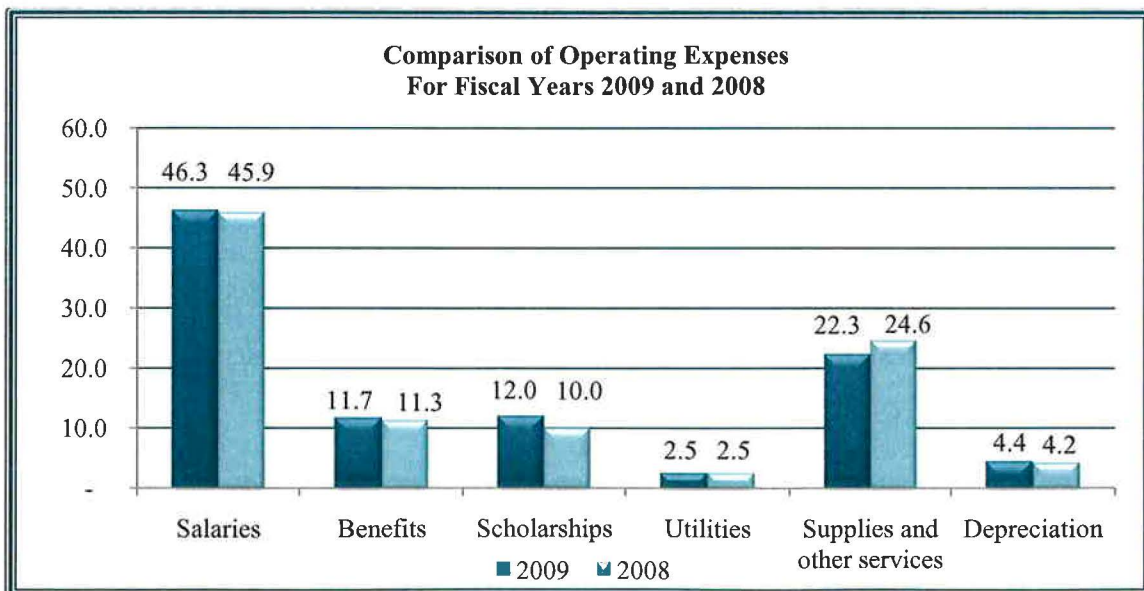
Operating expenses were \$99.2 million for the fiscal year, an increase of \$0.7 million or 0.7 percent over the prior year. Salaries and benefits increased by approximately \$0.8 million. The College's governing board approved a two percent salary increase for employees, in addition to the one percent increase approved by the state. The state allocation provides approximately 30 percent of the overall increase. Elimination of some permanent full-time and part-time positions and delays in hiring replacements as a result of the state budget cuts offset a portion of the salary increase resulting 1.4 percent increase in salaries and benefits.

Scholarships to students increased by approximately \$2.0 million. This is related to an increase in the maximum award for eligible Pell grant students.

Utilities remained stable at \$2.5 million. Supplies and other services decreased by \$2.3 million as a result of decreases in expenditures for supplies and equipment resulting from the state budget cut. Depreciation expense increased by approximately \$0.2 million from the prior year.

The following charts depict operating expenses by function for fiscal year ended June 30, 2009, and a comparison of operating expenses by function for fiscal years ended 2009 and 2008.

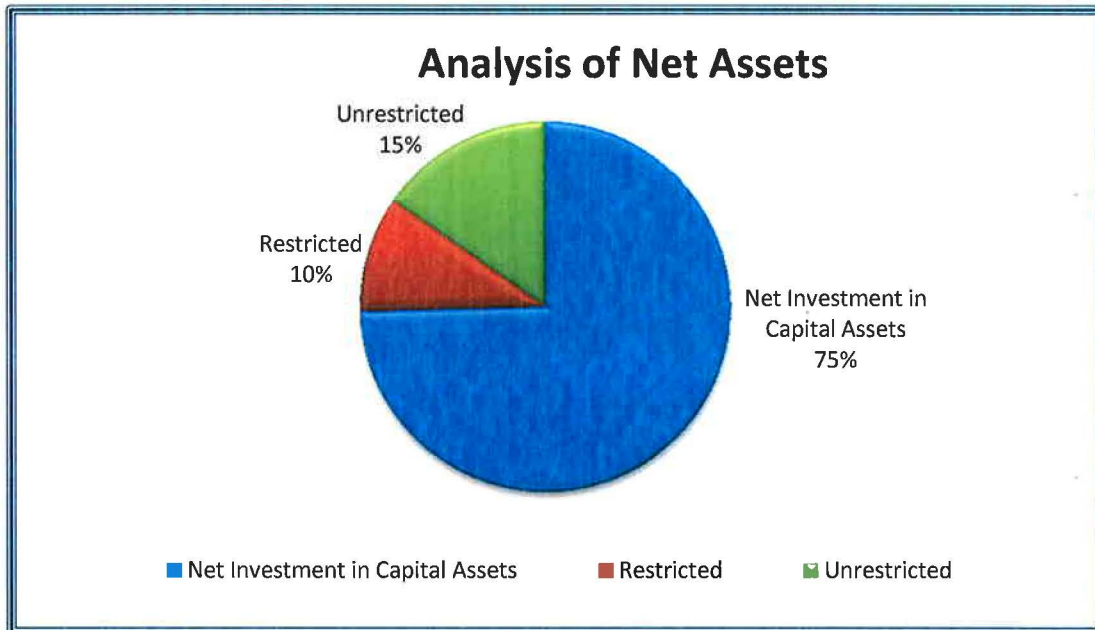
Operating Expenses Fiscal Years ended June 30, 2009 and 2008 (in millions)				
Operating Expenses	2009	2008	Increase (Decrease)	Percent Change
Salaries	46.3	45.9	\$ 0.4	0.9
Benefits	11.7	11.3	0.4	3.5
Scholarships	12.0	10.0	2.0	20.0
Utilities	2.5	2.5	-	-
Supplies and other services	22.3	24.6	(2.3)	(9.3)
Depreciation	4.4	4.2	0.2	4.8
Total	\$ 99.2	\$ 98.5	\$ 0.7	0.7



<b>Analysis of Net Assets</b> <b>June 30, 2009 and 2008</b> (in millions)				
	<b>2009</b>	<b>2008</b>	<b>Increase (Decrease)</b>	<b>Percent Change</b>
Net Assets				
Net Investment in Capital Assets	\$ 57.5	\$ 56.8	\$ 0.7	1.2
Restricted	7.8	9.0	(1.2)	(13.3)
Unrestricted	11.8	9.4	2.4	25.5
Total	<u>\$ 77.1</u>	<u>\$ 75.2</u>	<u>\$ 1.9</u>	<u>2.5</u>

The net investment in capital assets increased \$0.7 million due to the net effect of the investment in the campus lighting project, several renovation projects, capitalized interest related to the projects, depreciation expense of \$4.4 million, and the payment of \$2.5 million of debt.

Restricted net assets decreased \$1.2 million due to payments on capital projects. Unrestricted net assets increased \$2.4 million due the net effect of the increase in net assets and the decrease in restricted assets. For additional information on the intended use of unrestricted net assets, please see note 11.





## STATEMENT OF CASH FLOWS

The Statement of Cash Flows is the final statement to be presented. It presents detailed information about the cash activity of the College during the year and provides the reader with the sources and uses of cash by the major categories of operating, non-capital financing, capital and related financing, and investing activities. This statement will always show a net use of cash in the section "Cash Flows from Operating Activities" due to the College's dependence on state and local appropriations.

The statement is divided into five parts. The first section reflects the operating cash flows and shows the net cash used by the operating activities of the College. The second section reflects cash flows from non-operating financing activities. This section shows the cash received and spent for non-operating, non-investing, and non-capital financing activities and addresses the cash used for the acquisition and construction of capital and related items. The third section reflects cash flows from capital and related financing activities and shows the cash used for the acquisition and construction of capital and related items. The fourth section reflects the cash flows from investing activities and shows the purchases, proceeds, and interest received from investing activities. The final section reconciles the net cash used to the operating loss reflected on the Statement of Revenues, Expenses and Changes in Net Assets.

Cash increased by approximately \$1.1 million from last year. The net cash flows from operating activities increased by \$5.6 million primarily from increases in tuition, auxiliary revenue, and federal, state and local grants.

Cash flows from non-capital financing activity decreased by \$9.4 million as a result of reductions in State appropriations and changes in receivables related to grants and contracts. Capital and related financing activities reduced cash for acquisition of capital assets and debt service payments. The large change from the prior year is a result of bond proceeds included in the prior year's cash flows. Net cash used by investing activities remained stable.

<b>Summary of Cash Flows</b>			
<b>As of June 30, 2009</b>			
<b>(in millions)</b>			
	<u>2009</u>	<u>2008</u>	<u>Increase (Decrease)</u>
Net cash flow used by operating activities	(24.0)	(29.6)	5.6
Net cash flow provided by noncapital financing activities	29.3	38.7	(9.4)
Net cash used by capital and related financing activities	(5.6)	(7.4)	1.8
Net cash provided (used) by investing activities	<u>1.4</u>	<u>1.4</u>	<u>0.0</u>
Net increase (decrease) in cash	1.1	3.1	(2.0)
Cash- beginning of year	<u>12.9</u>	<u>9.8</u>	<u>3.1</u>
Cash- end of year	<u>14.0</u>	<u>12.9</u>	<u>1.1</u>

**Debt Administration**

The College's financial statements reflect \$21,955,000 in (general obligation) bonds payable. These bonds are general obligation bonds of the State backed by the full faith, credit and taxing power of the County of Greenville. Greenville County gives the College capital appropriations to service the debt of the general obligation bonds.

Also outstanding at June 30, 2009, are two capital leases payable totaling \$20,065,000 for the purchase of the McAlister Square Mall and building the first buildings on each of the Greer and Brashier Campuses. State appropriations were designated to cover the debt service on the McAlister Square Mall but reductions in the appropriations have resulted in a shortfall that the college is currently funding. For additional information on debt administration, please refer to Notes 15 and 16.

**Economic Factors**

The State of South Carolina affirmed that revenues did not reach expectations during the fiscal year ended June 30, 2009. State collections in the fiscal year were \$848 million less than the prior fiscal year and \$1.2 billion less than the estimates used to form the original spending plan. State appropriations to the College for operations decreased by 22.4% in the fiscal year. State appropriations for capital expenditures were 70% lower than the previous year.

Another decrease in state funding for College operations for the 2009-10 fiscal year has been announced. The college anticipates a decrease in funding of 4.0% or \$0.8 million. This will create some significant challenges; however, the College will continue to make every effort to manage its resources efficiently.

Student enrollment has continued to grow, requiring greater expenditures for the delivery of educational services, which will be funded in 2009-10 through a small tuition increase and increased revenues from increased enrollment. Federal and State financial aid programs continue to be an important factor in providing increased enrollment opportunities for students.

**Component Unit**

It has been determined that the Greenville Tech Foundation is a component unit of Greenville Technical College. Financial statements for the Foundation can be obtained by mailing a request to Greenville Tech Foundation, Inc. PO Box 5616, Greenville, SC 29606-5616.



Jacqueline R. DiMaggio  
Vice President for Finance

**GREENVILLE TECHNICAL COLLEGE**

## Statement of Net Assets

June 30, 2009 and June 30, 2008

<b>ASSETS</b>	<b><u>2009</u></b>	<b><u>2008</u></b>
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 14,011,130	\$ 12,906,204
Investments	5,431,711	6,440,397
Accounts Receivable, Net	6,459,553	6,644,480
Bond Proceeds Receivable	4,085,164	4,165,266
Inventories	3,063,669	2,824,921
Other Assets	1,550,231	2,019,240
Total Current Assets	34,601,458	35,000,508
<b>NONCURRENT ASSETS</b>		
Federal Perkins Loan Receivable	262	262
Capital Assets, Net of Accumulated Depreciation	95,443,546	97,315,407
Total Noncurrent Assets	95,443,808	97,315,669
Total Assets	130,045,266	132,316,177
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	1,155,670	3,130,130
Accrued Payroll and Related Liabilities	1,222,621	797,787
Long Term Liabilities - Current Portion	3,080,216	2,965,727
Deferred Revenue	4,998,531	3,466,043
Funds Held for Others	292,606	1,868,994
Total Current Liabilities	10,749,644	12,228,681
<b>NONCURRENT LIABILITIES</b>		
Bonds Payable	20,840,000	21,955,000
Capital Leases Payable	18,390,000	20,065,000
Compensated Absences Payable	2,948,798	2,909,356
Total Noncurrent Liabilities	42,178,798	44,929,356
Total Liabilities	52,928,442	57,158,037
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt	57,483,545	56,810,407
Restricted For:		
Expendable:		
Capital Projects	4,085,165	4,303,866
Encumbrances	661,570	1,794,196
Inventories	3,063,669	2,824,921
Loans	21,164	21,166
Unrestricted (note 11)	11,801,711	9,403,584
Total Net Assets	\$ 77,116,824	\$ 75,158,140

**GREENVILLE TECHNICAL COLLEGE**  
Statement of Revenues, Expenses, and Changes in Net Assets  
For the Years Ended June 30, 2009 and June 30, 2008

<b>REVENUES</b>	<b><u>2009</u></b>	<b><u>2008</u></b>
<b>OPERATING REVENUES</b>		
Student Tuition and Fees (Net)	\$ 27,577,132	\$ 27,507,427
Federal Grants and Contracts	22,470,535	18,006,694
State Grants and Contracts	13,353,739	13,342,015
Sales and Services of Educational Departments	576,514	556,252
Auxiliary Enterprises (Net)	5,441,532	5,079,006
Other Operating Revenues	<u>677,893</u>	<u>558,045</u>
Total Operating Revenues	<u>70,097,345</u>	<u>65,049,439</u>
<b>EXPENSES</b>		
<b>OPERATING EXPENSES</b>		
Salaries	46,289,280	45,892,461
Benefits	11,663,225	11,276,002
Scholarships and Fellowships	12,002,989	10,035,768
Utilities	2,529,831	2,525,443
Supplies and Other Services	22,317,457	24,547,070
Depreciation	<u>4,436,707</u>	<u>4,196,851</u>
Total Operating Expenses	<u>99,239,489</u>	<u>98,473,595</u>
Operating Income (Loss)	<u>(29,142,144)</u>	<u>(33,424,156)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State Appropriations	19,380,516	24,940,026
County Appropriations	9,942,413	9,233,396
Interest Income	489,158	1,149,506
Gain (Loss) on Disposal of Capital Assets	(2,290)	(90,312)
Interest Expense on Capital Asset Related Debt	(1,743,834)	(1,669,507)
Federal Grants and Contracts	784,918	709,285
State and Local Grants and Contracts	<u>1,313,747</u>	<u>1,506,453</u>
Net Nonoperating Revenues	<u>30,164,628</u>	<u>35,778,847</u>
Income (Loss) Before Other Revenues, Expenses, Gains or Losses	1,022,484	2,354,691
State Capital Appropriations	936,200	2,985,962
Transfers to/from Other State Agencies	-	-
Capital Grants and Gifts	-	-
Increase in Net Assets	<u>1,958,684</u>	<u>5,340,653</u>
<b>NET ASSETS</b>		
Net Assets - Beginning of Year	75,158,140	69,817,487
Net Assets - End of Year	<u>\$ 77,116,824</u>	<u>\$ 75,158,140</u>

# GREENVILLE TECHNICAL COLLEGE

## Statement of Cash Flows

For the Years Ended June 30, 2009 and June 30, 2008

	<u>2009</u>	<u>2008</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Tuition and Fees	\$ 29,346,862	\$ 27,099,518
Federal, State and Local Grants and Contracts	36,113,662	30,953,575
Federal Student Loan Proceeds	36,989,726	29,125,518
Sales and Services of Educational Departments	523,176	552,552
Auxiliary Enterprise Charges	5,202,784	4,941,405
Other Receipts	683,453	564,446
Federal Student Loans Disbursed	(36,988,424)	(29,111,966)
Payments to Vendors	(49,968,149)	(48,401,297)
Payments to Employees	(45,879,306)	(45,358,969)
Net Cash Provided (Used) by Operating Activities	<u>(23,976,216)</u>	<u>(29,635,218)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State Appropriations	19,377,642	24,934,076
County Appropriations	9,942,413	9,233,396
State, Local and Federal Grants, Gifts and Contracts - Non Operating	(33,365)	4,582,964
Net Cash Flows Provided by Noncapital Financing Activities	<u>29,286,690</u>	<u>38,750,436</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
State Appropriations	1,002,193	2,604,402
EDA Grant	200,000	1,800,000
Purchase of Capital Assets	(2,501,608)	(8,229,852)
Proceeds from Issuance of Capital Debt	-	34,734
Bond Proceeds held by County	193,637	657,206
Principal Paid on Capital Debt	(2,685,000)	(2,620,000)
Interest Paid on Capital Debt	(1,811,058)	(1,676,757)
Net Cash Provided by Capital and Related Financing Activities	<u>(5,601,836)</u>	<u>(7,430,267)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from Sales and Maturities of Investments	8,287,199	9,434,049
Interest on Investments	211,619	845,481
Purchase of Investments	(7,102,530)	(8,888,535)
Net cash Flows Provided (Used) by Investing Activities	<u>1,396,288</u>	<u>1,390,995</u>
Net Increase (Decrease) in Cash	1,104,926	3,075,946
Cash - Beginning of Year	12,906,204	9,830,258
Cash - End of Year	<u>\$ 14,011,130</u>	<u>\$ 12,906,204</u>
<b>Reconciliation of Net Operating Revenue (Expenses) to Net Cash Provided (Used) by Operating Activities:</b>		
Operating Income (Loss)	\$ (29,142,144)	\$ (33,424,156)
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Depreciation Expense	4,436,707	4,196,851
Change in Assets and Liabilities		
Receivables, Net	1,215,451	(514,741)
Inventories	(238,748)	(137,601)
Deferred Charges and Prepaid Expenses	397,509	(258,981)
Accounts Payable	(1,486,822)	584,090
Compensated Absences	48,932	191,368
Deferred Revenue	860,294	(380,764)
Deposits Held for Others	(67,395)	108,716
Net Cash Provided (Used) by Operating Activities	<u>\$ (23,976,216)</u>	<u>\$ (29,635,218)</u>



**COMPONENT UNIT OF GREENVILLE TECHNICAL COLLEGE**  
**GREENVILLE TECH FOUNDATION, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**FOR THE YEARS ENDED JUNE 30, 2009 AND JUNE 30, 2008**

<b>ASSETS</b>	<b><u>2009</u></b>	<b><u>2008</u></b>
Cash and cash equivalents	\$ 219,686	\$ 199,907
Restricted cash	3,015,494	2,393,374
Pledges receivable	293,320	331,171
Student loans receivable	4,205	5,111
Accounts receivable-trade	28,358	-
Accounts receivable-Greenville Technical College	-	-
Student Housing, LLC	48,805	73,763
Interest receivable	-	84,980
Leases receivable	-	36,000
Prepaid expenses	21,255	23,876
Investments	4,108,366	4,970,020
Property and equipment	29,117,429	22,396,131
Cash value of life insurance	21,000	21,007
Charitable remainder trusts receivable	239,025	468,842
Intangible assets	636,552	517,594
<b>TOTAL ASSETS</b>	<b><u>\$ 37,753,495</u></b>	<b><u>\$ 31,521,776</u></b>
<b>LIABILITIES</b>		
Accounts payable	1,047,074	684,744
Accounts payable - Greenville Technical College	-	-
Deferred income	369,189	490,821
Customer deposits	83,225	94,213
Line of credit	-	88,555
Bonds payable	23,280,000	16,300,000
Notes payable	2,860,602	3,110,610
Interest rate swap	1,491,712	568,687
<b>Total Liabilities</b>	<b><u>\$ 29,131,802</u></b>	<b><u>\$ 21,337,630</u></b>
<b>NET ASSETS</b>		
Unrestricted	2,739,203	3,443,725
Unrestricted – Board designated endowment	1,420,538	2,030,110
 Total Unrestricted	 4,159,741	 5,473,835
Temporarily restricted	1,215,047	1,515,800
Permanently restricted – endowed	3,246,905	3,194,511
<b>Total Net Assets</b>	<b><u>8,621,693</u></b>	<b><u>10,184,146</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 37,753,495</u></b>	<b><u>\$ 31,521,776</u></b>

**COMPONENT UNIT OF GREENVILLE TECHNICAL COLLEGE**

GREENVILLE TECH FOUNDATION, INC. AND SUBSIDIARIES

**CONSOLIDATED STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED JUNE 30, 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUES AND GAINS:</b>				
Contributions	\$ 96,908	730,590	52,394	879,892
Property and equipment donations	472,813	-	-	472,813
Interest income	141,993	262,051	-	404,044
Cash surrender value of life insurance	-	-	-	-
Discount on pledges receivable	9,086	-	-	9,086
Management income	171,000	-	-	171,000
Rental income	3,894,544	-	-	3,894,544
Miscellaneous	166,421	12,536	-	178,957
Total Revenues	4,952,765	1,005,177	52,394	6,010,336
Changes in charitable remainder trusts	(228,865)	(952)	-	(229,817)
Net Assets released from restrictions	872,401	(872,401)	-	-
Total Revenues, Gains, and Other Support	5,596,301	131,824	52,394	5,780,519
<b>EXPENSES:</b>				
College support:				
Scholarships	269,015	-	-	269,015
Student programs	69,955	-	-	69,955
College Faculty/Staff development	19,010	-	-	19,010
College departmental supplies and activities	216,924	-	-	216,924
Equipment purchases/gifts-in-kind	661,382	-	-	661,382
Consulting	149,206	-	-	149,206
College salary supplement	53,930	-	-	53,930
Interest expense	720,605	-	-	720,605
Cost of financing	1,166,564	-	-	1,166,564
Property fees	2,819	-	-	2,819
Operations:				
Compensation-Foundation staff and				
McAlister Square	290,213	-	-	290,213
Software training	3,253	-	-	3,253
Donor recognition	2,682	-	-	2,682
Office expenses and supplies	58,531	-	-	58,531
Travel and meetings	8,096	-	-	8,096
Professional and other fees	40,932	21,916	-	62,848
Rent	4,000	-	-	4,000
Investment management fees	4,874	38,731	-	43,605
Foundation admin fees	3,116	25,081	-	28,197
Planned gift insurance	2,166	-	-	2,166
Campaign expense	18,867	-	-	18,867
Marketing	22,283	-	-	22,283
Uncollectible pledges and accounts	137,445	5,362	-	142,807
receivable				
Loss on investments	227,847	340,918	-	568,765
Loss on fixed assets disposals	19,740	-	-	19,740
Cash surrender value of life insurance	(563)	569	-	6
Depreciation and amortization	941,108	-	-	941,108
McAlister Square expenses	726,525	-	-	726,525
Student housing expenses	1,069,870	-	-	1,069,870
Total expenses	6,910,395	432,577	-	7,342,972
CHANGES IN NET ASSETS	(1,314,094)	(300,753)	52,394	(1,562,453)
NET ASSETS, Beginning of year	5,473,835	1,515,800	3,194,511	10,184,146
NET ASSETS, End of year	\$ 4,159,741	1,215,047	3,246,905	8,621,693

**COMPONENT UNIT OF GREENVILLE TECHNICAL COLLEGE**

GREENVILLE TECH FOUNDATION, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2008

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUES AND GAINS:</b>				
Contributions	\$ 49,095	\$ 668,695	\$ 183,730	\$ 901,520
Property and equipment donations	941,678	-	-	941,678
Interest income	194,977	122,051	-	317,028
Cash surrender value of life insurance	1,026	(99)	-	927
Discount on pledges receivable	7,991	15,644	-	23,635
Management income	171,000	-	-	171,000
Rental income	3,446,573	-	-	3,446,573
Miscellaneous	183,606	-	-	183,606
Total Revenues	4,995,946	806,291	183,730	5,985,967
Changes in charitable remainder trusts	55,097	2,628	-	57,725
Net Assets released from restrictions	755,570	(755,570)	-	-
Total Revenues, Gains, and Other Support	5,806,613	53,349	183,730	6,043,692
<b>EXPENSES:</b>				
College support:				
Scholarships	262,469	-	-	262,469
Student programs	79,841	-	-	79,841
College Faculty/Staff development	9,498	-	-	9,498
College departmental supplies and activities	337,438	-	-	337,438
Equipment purchases/gifts-in-kind	936,577	-	-	936,577
Consulting	67,250	1,510	-	68,760
College salary supplement	75,306	-	-	75,306
Interest expense	836,718	-	-	836,718
Cost of financing	866,217	-	-	866,217
Property fees	2,708	-	-	2,708
Operations:				
Compensation-Foundation staff and				
McAlister Square	180,248	-	-	180,248
Software training	7,734	-	-	7,734
Donor recognition	4,759	-	-	4,759
Office expenses and supplies	57,309	-	-	57,309
Travel and meetings	9,532	-	-	9,532
Professional and other fees	35,443	858	-	36,301
Rent	4,000	-	-	4,000
Investment management fees	15,172	37,147	-	52,319
Foundation admin fees	8,772	21,412	-	30,184
Planned gift insurance	1,910	-	-	1,910
Campaign expense	33,341	-	-	33,341
Marketing	26,860	-	-	26,860
Uncollectible pledges and accounts	315,746	8,832	-	324,578
receivable				
Loss on investments	79,173	100,494	-	179,667
Depreciation and amortization	946,821	-	-	946,821
McAlister Square expenses	580,806	-	-	580,806
Student housing expenses	933,565	-	-	933,565
Total expenses	6,715,213	170,253	-	6,885,466
CHANGES IN NET ASSETS	(908,600)	(116,904)	183,730	(841,774)
NET ASSETS, Beginning of year	6,382,435	1,661,070	2,982,415	11,025,920
Restatement due to UPMIFA	-	(28,366)	28,366	-
NET ASSETS, End of year	\$ 5,473,835	\$ 1,515,800	\$ 3,194,511	\$ 10,184,146

## GREENVILLE TECHNICAL COLLEGE

Notes to Financial Statements  
June 30, 2009 and June 30, 2008

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Nature of Operations:** Greenville Technical College (the "College"), a member institution of the South Carolina Technical College System, provides a range of educational programs to meet the needs of the adult population of Greenville County. Included in this range of programs are technical and occupational associate degree, diploma and certificate curricula that are consistent with the needs of employers in the College's service area. As an integral part of this mission, the College provides a program of continuing education designed to satisfy the occupational demands of employers through retraining and upgrading the skills of individual employees. The College also provides a variety of developmental education programs, support services and offerings to assist students in meeting their personal and professional educational objectives.

**B. Reporting Entity:** The financial reporting entity, as defined by the Governmental Accounting Standards Board (GASB) consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion could cause the financial statements to be misleading or incomplete. Accordingly, the financial statements include the accounts of Greenville Technical College, as the primary government, and the accounts of Greenville Tech Foundation, Inc. (the "Foundation"), its component unit. The College is part of the primary government of the State of South Carolina. However, based on the nature and significance of the Foundation's relationship with the State of South Carolina, the Foundation is not a component unit of the State of South Carolina.

The Foundation is a legally separate, tax-exempt component unit of the College. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the College in support of its programs. The 35-member Board of the Foundation is self-perpetuating and consists of community leaders, friends of the College, and graduates. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources or income thereon, which the Foundation holds and invests are restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the College, the Foundation is considered a component unit of the College. The Foundation is reported in separate financial statements because of the difference in its reporting model, as further described below.

The Foundation is a private not-for-profit organization that reports its financial results under Financial Accounting Standards Board (FASB) Statements. Most significant to the Foundation's operations and reporting model are FASB Statement No. 116, *Accounting for Contributions Received and Contributions Made*, and FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the College's financial reporting entity for these differences. However, significant note disclosures to the Foundation's financial statements have been incorporated into the College's notes to the financial statements. (See Note R within this Summary of Significant Accounting Policies and Note 24.)

Financial statements for the Foundation can be obtained by mailing a request to Greenville Tech Foundation, Inc. PO Box 5616, MS 6002, Greenville, SC 29606-5616.

**C. Financial Statements:** The financial statements are presented in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. The financial statement presentation required by GASB Statements No. 34 and No. 35 provides a comprehensive, entity-wide perspective of the College's assets, liabilities, net assets, revenues, expenses, changes in net assets and cash flows that replaces the fund-group perspective previously required.

**D. Basis of Accounting:** For financial reporting purposes, the College is considered a special-purpose government engaged only in business-type activities. Accordingly, the College's financial statements have been presented using the economic resources measurement focus and the accrual basis of

## GREENVILLE TECHNICAL COLLEGE

Notes to Financial Statements  
June 30, 2009 and June 30, 2008

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

#### **D. Basis of Accounting, continued**

accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. Student tuition and auxiliary enterprise fees are presented net of scholarships and fellowships applied to student accounts, while stipends and other payments made directly are presented as scholarship expenses. All significant intra-institutional transactions have been eliminated. The College has elected not to apply Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989.

**E. Cash and Cash Equivalents:** For purposes of the statement of cash flows, the College considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Funds invested through the State of South Carolina State Treasurer's Office are considered cash equivalents.

**F. Investments:** Deposits and investments for the College are governed by the South Carolina Code of Laws, Section 11-9-660 "Investment of Funds" *GASB Statement No. 40, Deposits and Investment Risk Disclosures – an amendment to GASB Statement No. 3*, requires disclosures related to deposit risks, such as custodial credit risk, and investment risks, such as credit risk (including custodial credit risk and concentrations of credit risks) and interest rate risk. The college accounts for its investments at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Changes in unrealized gain (loss) on the fair value of investments are reported as a component of investment income in the statement of revenues, expenses and changes in net assets.

**G. Accounts Receivable:** Accounts receivable consists of tuition and fee charges to students, gift pledges and auxiliary enterprise services provided to students, faculty and staff. Accounts receivable also include amounts due from the Federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the College's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts.

**H. Inventories:** Inventories for internal use are valued at cost. Inventories for resale are carried at the lower of cost or market on the first-in, first-out ("FIFO") basis.

**I. Capital Assets:** Capital assets are recorded at cost at the date of acquisition or fair market value at the date of donation in the case of gifts. The College follows capitalization guidelines established by the State of South Carolina. All land is capitalized, regardless of cost. Qualifying improvements that rest in or on the land itself are recorded as depreciable land improvements. Major additions, renovations and other improvements that add to the usable space, prepare existing buildings for new uses, or extend the useful life of an existing building are capitalized. The College capitalizes movable personal property with a unit value in excess of \$5,000 and a useful life in excess of two years and depreciable land improvements, buildings and improvements, and intangible assets costing in excess of \$100,000. Routine repairs and maintenance and library materials, except individual items costing in excess of \$5,000, are charged to operating expenses in the year in which the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 15 to 50 years for buildings and improvements and land improvements and 2 to 25 years for machinery, equipment, and vehicles. A full year of depreciation is taken the year the asset is placed in service and no depreciation is taken in the year of disposition.

**J. Deferred Revenues and Deposits:** Deferred revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Deferred revenues also include amounts received from grant and contract sponsors that have not yet been earned.

Deposits represent student fee refunds and other miscellaneous deposits. Student deposits are recognized as revenue during the semester for which the fee is applicable and earned when the deposit is nonrefundable to the student under the forfeit terms of the agreement.

## GREENVILLE TECHNICAL COLLEGE

Notes to Financial Statements  
June 30, 2009 and June 30, 2008

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**K. Compensated Absences:** Employee vacation pay expense is accrued at year-end for financial statement purposes. The liability and expense incurred are recorded at year-end as a component of long-term liabilities in the statement of net assets and as a component of benefit expenses in the statement of revenues, expenses, and changes in net assets.

**L. Net Assets:** The College's net assets are classified as follows:

***Invested in capital assets, net of related debt:*** This represents the College's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

***Restricted net assets - expendable:*** Restricted expendable net assets include resources in which the College is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

***Unrestricted net assets:*** Unrestricted net assets represent resources derived from student tuition and fees, appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the College, and may be used at the discretion of the governing board to meet current expenses for any purpose. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff.

The College policy for applying expenses that can use both restricted and unrestricted resources is delegated to the departmental administrative level. General practice is to first apply the expense to restricted resources and then to unrestricted resources.

**M. Income Taxes:** The College is exempt from income taxes under the Internal Revenue Code.

**N. Classification of Revenues:** The College has classified its revenues as either operating or non-operating revenues according to the following criteria:

***Operating revenues:*** Operating revenues generally result from exchange transactions to provide goods or services related to the College's principal ongoing operations. These revenues include (1) student tuition and fees received in exchange for providing educational services and other related services to students; (2) receipts for scholarships where the provider has identified the student recipients; (3) fees received from organizations and individuals in exchange for miscellaneous goods and services provided by the College; and (4) grants and contracts that are essentially the same as contracts for services that finance programs the College would not otherwise undertake.

***Non-operating revenues:*** Non-operating revenues include activities that have the characteristics of non-exchange transactions. These revenues include gifts and contributions, appropriations, investment income, and any grants and contracts that are not classified as operating revenue or restricted by the grantor to be used exclusively for capital purposes.

**O. Sales and Services of Educational and Other Activities:** Revenues from sales and services of educational and other activities generally consist of amounts received from instructional activities that incidentally create goods and services which may be sold to students, faculty, staff, and the general public. The College receives such revenues primarily from Child Care Center operations.

**P. Auxiliary Enterprises and Internal Service Activities:** Auxiliary enterprise revenues primarily represent revenues generated by bookstore and food services. Revenues of internal service and auxiliary enterprise activities and the related expenditures of college departments have been eliminated.

**Q. Capitalized Interest:** The College capitalizes as a component of construction in progress interest cost in excess of earnings on debt associated with capital projects that will be capitalized in the applicable capital asset categories upon completion. In the fiscal year ended June 30, 2009, the College incurred



# GREENVILLE TECHNICAL COLLEGE

Notes to Financial Statements  
June 30, 2009 and June 30, 2008

## **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

### **Q. Capitalized Interest, continued**

\$1,863,881 of interest expense, of which \$1,743,834 was charged to expense, \$65,528 was capitalized, and \$54,519 was booked to reflect a decrease in bond interest payable. In the fiscal year ended June 30, 2008, the College incurred \$1,865,799 of interest expense, of which \$1,669,507 was charged to expense, \$218,800 was capitalized, and \$22,508 was booked to reflect an increase in bond interest payable.

**R. Component Unit:** The Foundation maintains its accounts in accordance with the principles and practices of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting purposes in accordance with activities or objectives specified by donors. Accordingly, net assets and changes therein are classified as follows:

**Permanently Restricted Net Assets:** Permanently Restricted Net Assets are subject to donor-imposed stipulations that require them to be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for general or specific purposes.

**Temporarily Restricted Net Assets:** Temporarily Restricted Net Assets are subject to donor-imposed stipulations that will be met by actions of the Foundation and/or passage of time.

**Unrestricted Undesignated Net Assets:** Unrestricted Undesignated Net Assets are not subject to donor-imposed stipulations that will be met by actions of the Foundation and/or passage of time.

**Unrestricted Designated Net Assets:** Unrestricted Designated Net Assets are not subject to donor-imposed restrictions but subject to Foundation Board imposed stipulations.

Revenues are reported as increases in unrestricted net assets classification unless use of the related assets is limited by donor-imposed restrictions. Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized as revenue until the conditions on which they depend are substantially met. Contributions for in-kind gifts from outside sources are not recorded in the Foundation's financial records, but are accounted for and acknowledged separately.

Expenses are reported as decreases in unrestricted undesignated or unrestricted designated net assets as appropriate. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted undesignated or unrestricted designated net assets unless their use is restricted by explicit donor stipulation or by law.

Investments are reported at fair value based upon quoted market prices.

## **NOTE 2 - STATE APPROPRIATIONS**

### **Non-Capital Appropriations**

	2009	2008
Current Years Appropriations:		
Appropriations per State Board Allocation	\$ 18,570,000	\$ 24,087,113
Nursing Salary Enhancements	70,441	119,005
SC Education Lottery Technology Funds	740,075	733,908
<b>Total Non-Capital Appropriations Recorded as Current Year Revenue</b>	<b>\$ 19,380,516</b>	<b>\$ 24,940,026</b>

### **Capital Appropriations**

Current Years Appropriations:		
Appropriations from Commission on Higher Education-University Center	\$ 827,214	\$ 1,087,791
Special Appropriation McAlister Square Debt Service	0	1,123,000
Special Appropriation- Northwest Campus	0	400,000
Deferred maintenance	108,986	375,171
<b>Total Capital Appropriations Recorded as Current Year Revenue</b>	<b>\$ 936,200</b>	<b>\$ 2,985,962</b>

## GREENVILLE TECHNICAL COLLEGE

Notes to Financial Statements  
June 30, 2009 and June 30, 2008

### **NOTE 3 – CASH, DEPOSITS AND INVESTMENTS**

#### **DEPOSITS:**

State Law requires that a bank or savings and loan association receiving State funds must secure the deposits by deposit insurance, surety bonds, collateral securities, or letters of credit to protect the State against any loss.

#### **Custodial Credit Risk**

Custodial credit risk for deposits is the risk that that a government will not be able to recover deposits if the depository financial institution fails to recover the value of collateral securities that are in the possession of an outside party if the counterparty to the deposit transaction fails.

Greenville Technical College's Numbered Memorandum 4-17 states that it is the policy of Greenville Technical College to invest all available funds in accounts that will provide maximum return on investment with the least possible risk. Funds will only be deposited with financial institutions that are insured and guaranteed by FDIC, or other Federal or State Regulatory Agencies. There have not been any violations of these policies.

The deposits for Greenville Technical College at June 30, 2009, were \$15,413,631. Of these, \$0 was exposed to custodial credit risk as uninsured and uncollateralized. The balance of \$15,413,631 was collateralized with securities held by the pledging institution in the college's name. The deposits for Greenville Technical College at June 30, 2008, were \$17,160,216. Of these, \$0 was exposed to custodial credit risk as uninsured and uncollateralized. The balance of \$17,160,216 was collateralized with securities held by the pledging institution in the college's name.

Restricted cash includes \$20,902 held for debt service reserve funds at June 30, 2009 and includes \$20,904 held for debt service reserve funds at June 30, 2008.

#### **Foreign Currency Risk**

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. Greenville Technical College does not maintain deposits that are denominated in a currency other than the United States dollar; therefore, the College is not exposed to this risk.

#### **INVESTMENTS:**

The College is authorized, by the South Carolina Code of Laws, Section 11-9-660, to invest in obligations of the United States and its agencies, obligations of the State of South Carolina and its political subdivisions, collateralized or federally insured certificates of deposit, and collateralized repurchase agreements.

The College's investments at June 30, 2009 and June 30, 2008, which are not with the State Treasurer's Office are presented below. All investments are presented by investment type and debt securities are presented by maturity.

<b><u>Investment Type</u></b>	<b>Greenville Technical College Investments</b>				
	<b><u>Investment Maturities (in years)</u></b>				
	<b><u>Fair Value</u></b>	<b><u>Less</u></b>			<b><u>More</u></b>
	<b><u>Amount</u></b>	<b><u>Than 1</u></b>	<b><u>1 – 5</u></b>	<b><u>6 – 10</u></b>	<b><u>Than 10</u></b>
2009 Debt Securities					
Federal Home Loan Bonds	\$5,431,711	\$5,431,711			
2008 Debt Securities					
Federal Home Loan Bonds	\$6,440,397	\$6,440,397			



# GREENVILLE TECHNICAL COLLEGE

Notes to Financial Statements  
June 30, 2009 and June 30, 2008

## **NOTE 3 – CASH, DEPOSITS AND INVESTMENTS, continued**

### **Custodial Credit Risk**

Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, the College will not be able to recover the investments value or collateral securities that are in the possession of an outside party.

The College's policy concerning custodial credit risk is to invest all available funds in accounts that will provide maximum return on investment with the least possible risk. Funds will only be deposited with financial institutions that are insured and guaranteed by FDIC, or other Federal or State Regulatory Agencies. There have not been any violations of these policies.

At June 30, 2009, the investments for Greenville Technical College were \$5,431,711. Of these, \$0 was exposed to custodial credit risk as uninsured and uncollateralized. The balance of \$5,431,711 was collateralized with securities held by the pledging institution in the college's name. At June 30, 2008, the investments for Greenville Technical College were \$6,440,397. Of these, \$76,539 was exposed to custodial credit risk as uninsured and uncollateralized. The balance of \$6,363,858 was collateralized with securities held by the pledging institution in the college's name. The College recognized no losses due to the default by counterparts to investment transactions.

### **Credit Risk**

Credit risk is the risk that an insurer or other counterparty to an investment will not fulfill its obligations.

The College's policy concerning custodial credit risk is to invest all available funds in accounts that will provide maximum return on investment with the least possible risk. Funds will only be deposited with financial institutions that are insured and guaranteed by FDIC, or other Federal or State Regulatory Agencies. There have not been any violations of these policies.

The College's rated debt investment as of June 30, 2009 and June 30, 2008 were rated by Moody's Investors Service and are listed below using the Moody's Investors Service rating scale.

### **Greenville Technical College Rated Debt Investments at June 30, 2009 and 2008**

Rated Debt Investments	Fair Value	Quality Ratings				
		AAA	AA	A	A1	Unrated
2009 U.S. Agencies.....	\$ 5,431,711				\$ 5,431,711	
2008 U.S. Agencies.....	\$ 6,440,397				\$ 6,440,397	

### **Concentration of Credit Risk**

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The College does not have a policy on concentration of credit risk.

The College had debt securities investment at June 30, 2009 and June 30, 2008, with not more than 5 percent of the total investments in securities of any agency or entity.

### **Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. It occurs because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase, thereby affording potential purchasers more favorable rates on essentially equivalent securities. The College does not have a policy concerning interest rate risk.

For the years ended June 30, 2009 and June 30, 2008, the previous tables show the investments by the specific method.

**GREENVILLE TECHNICAL COLLEGE**

Notes to Financial Statements  
June 30, 2009 and June 30, 2008

**NOTE 3 – CASH, DEPOSITS AND INVESTMENTS, continued****Foreign Currency Risk**

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. Greenville Technical College does not maintain investments that are denominated in a currency other than the United States dollar; therefore, the college is not exposed to this risk.

The following schedule reconciles cash and investments as reported on the Statement of Net Assets to footnote disclosure provided for deposits and investments.

<b><u>Statement of Net Assets:</u></b>	<b>2009</b>	<b>2008</b>
Cash and Cash Equivalents:		
Unrestricted	\$ 13,990,228	\$ 12,885,300
Restricted	20,902	20,904
Total Cash and Cash Equivalents	<u>\$ 14,011,130</u>	<u>\$ 12,906,204</u>
Investments:		
Certificates of Deposit	<u>\$ 5,431,711</u>	<u>\$ 6,440,397</u>
<b><u>Disclosure, Deposits and Investments:</u></b>		
Cash and Cash Equivalents		
Demand Deposit Accounts	\$ 13,753,536	\$ 12,658,182
Held by State Treasurer	248,094	238,322
Cash on Hand	9,500	9,700
Total Cash and Cash Equivalents	<u>\$ 14,011,130</u>	<u>\$ 12,906,204</u>
Investments		
Certificates of Deposit	<u>\$ 5,431,711</u>	<u>\$ 6,440,397</u>

**NOTE 4 - ACCOUNTS RECEIVABLE**

Accounts receivable as of June 30, 2009 and June 30, 2008, are summarized as follows:

	<b>2009</b>	<b>2008</b>
Student Accounts, net	\$ 2,485,907	\$ 3,461,012
Economic Development Administration	-	200,000
Other Federal Grantors	1,830,182	1,455,051
Due from State	1,995,833	1,430,646
Accrued interest	40,911	52,389
Greenville Tech Foundation	13,190	5,190
Other	93,530	40,192
Net Accounts Receivable	<u>\$ 6,459,553</u>	<u>\$ 6,644,480</u>

Allowances for losses for student accounts receivable are established based upon actual losses experienced in prior years and evaluations of the current account portfolio. At June 30, 2009, the allowance for uncollectible student accounts is valued at \$2,162,494. At June 30, 2008, the allowance for uncollectible student accounts is valued at \$1,565,095.

## **GREENVILLE TECHNICAL COLLEGE**

Notes to Financial Statements  
June 30, 2009 and June 30, 2008

### **NOTE 5 – BOND PROCEEDS RECEIVABLE**

At June 30, 2009, bond proceeds receivable of \$4,085,164 relate to the proceeds of the 2007 Greenville County General Obligation Bonds. These bonds were issued on October 16, 2007 to finance the construction of a second welding instruction area at the College, the renovation of the Student Center Building and the renovation of the auditorium in the University Transfer Building. The bond proceeds are on deposit with the Greenville County Treasurer's Office and are drawn down as expenditures are made on the construction projects. Interest earned on the escrow account totaled \$113,535 for the fiscal year ended June 30, 2009. During the year ended June 30, 2009, project expenditures totaling \$193,637 were drawn from the proceeds. The remaining bond proceeds will be expended in the 2009-10 fiscal year.

At June 30, 2008, bond proceeds receivable of \$4,165,266 relate to the proceeds of the 2007 Greenville County General Obligation Bonds. These bonds were issued on October 16, 2007 to finance the construction of a second welding instruction area for the College, the renovation of the Student Center Building and the renovation of the auditorium in the University Transfer Building. The bond proceeds are on deposit with the Greenville County Treasurer's Office and are drawn down as expenditures are made on the construction project. Interest earned on the escrow account totaled \$88,797 for the fiscal year ended June 30, 2008. As of June 30, 2008, \$52,962 has been drawn for bond closing expenses from the total \$4,129,431 principle and interest.

For more information on the bond, refer to Note 15.

### **NOTE 6 - PLEDGES RECEIVABLE**

The College has no pledges receivable during the years ended June 30, 2009 or June 30, 2008.

### **NOTE 7 - LOANS RECEIVABLE**

Student loans made through the Federal Perkins Loan Program comprise all of the loans receivable as of June 30, 2009 and June 30, 2008. The Perkins Loan program provides various repayment options; students have the right to repay the loans over periods up to 10 years depending on the amount of the loan and loan cancellation privileges the student may exercise. These loans are broken down into two classifications, those payments that will be received within the following fiscal year are classified as "current portion of loans receivable". The remaining payments are classified as long-term loans receivable. As the College determines that loans are uncollectible, the loans are written off and assigned to the US Dept of Education. At June 30, 2009 and June 30, 2008, the College has made no allowance for uncollectible student loans.

# GREENVILLE TECHNICAL COLLEGE

Notes to Financial Statements  
June 30, 2009 and June 30, 2008

## NOTE 8—CAPITAL ASSETS

The activity in the College's capital assets for the fiscal year ended June 30, 2009 are as follows:

	Beginning Balance 1-Jul-08	Increases	Transfers	Decreases	Ending Balance 30-Jun-09
Capital assets not being depreciated:					
Land	8,758,885	-	-	-	8,758,885
Land Improvements	5,440,859	-	-	-	5,440,859
Construction in progress	204,876	1,405,754	(512,145)	(40,874)	1,057,611
Total capital assets not being depreciated	14,404,620	1,405,754	(512,145)	(40,874)	15,257,355
Other capital assets:					
Buildings and improvements	116,486,379	-	512,145	-	116,998,524
Machinery, equipment, and other	11,094,360	1,179,832	-	(855,105)	11,419,087
Depreciable Land Improvements	1,814,758	-	-	-	1,814,758
Vehicles	1,413,512	22,424	-	(14,266)	1,421,670
Total other capital assets at historical cost	130,809,009	1,202,256	512,145	(869,371)	131,654,039
Less accumulated depreciation for:					
Buildings and improvements	(37,026,410)	(3,165,770)	-	-	(40,192,180)
Machinery, equipment, and other	(8,808,038)	(1,117,546)	-	852,815	(9,072,769)
Depreciable Land Improvements	(906,120)	(63,454)	-	-	(969,574)
Vehicles	(1,157,654)	(89,937)	-	14,266	(1,233,325)
Total accumulated depreciation	(47,898,222)	(4,436,707)	-	867,081	(51,467,848)
Capital Assets, Net	97,315,407	(1,828,697)	-	(43,164)	95,443,546

The Gain (Loss) on Disposal of Assets consisted of the following:

Elimination of Construction In Process that did not meet  
capitalization threshold

\$ 40,874

Loss on Disposal

2,290

Net Gain (Loss) on Disposals

\$ 43,164

# GREENVILLE TECHNICAL COLLEGE

Notes to Financial Statements  
June 30, 2009 and June 30, 2008

## **NOTE 8—CAPITAL ASSETS, continued**

The activity in the College's capital assets for the fiscal year ended June 30, 2008 are as follows:

	Beginning Balance 1-Jul-07	Increases	Transfers	Decreases	Ending Balance 30-Jun-08
Capital assets not being depreciated:					
Land	8,758,885	-	-	-	8,758,885
Land Improvements	5,440,859	-	-	-	5,440,859
Construction in progress	16,313,118	6,197,947	(22,306,189)	-	204,876
Total capital assets not being depreciated	30,512,862	6,197,947	(22,306,189)	-	14,404,620
Other capital assets:					
Buildings and improvements	94,710,342	-	21,988,537	(212,500)	116,486,379
Machinery, equipment, and other	9,683,377	1,827,771	-	(416,788)	11,094,360
Depreciable Land Improvements	1,497,106	-	317,652	-	1,814,758
Vehicles	1,246,581	204,135	-	(37,204)	1,413,512
Total other capital assets at historical cost	107,137,406	2,031,906	22,306,189	(666,492)	130,809,009
Less accumulated depreciation for:					
Buildings and improvements	(34,003,314)	(3,145,284)	-	122,188	(37,026,410)
Machinery, equipment, and other	(8,351,486)	(873,340)	-	416,788	(8,808,038)
Depreciable Land Improvements	(842,666)	(63,454)	-	-	(906,120)
Vehicles	(1,080,085)	(114,773)	-	37,204	(1,157,654)
Total accumulated depreciation	(44,277,551)	(4,196,851)	-	576,180	(47,898,222)
Capital Assets, Net	93,372,717	4,033,002	-	(90,312)	97,315,407

The Gain (Loss) on Disposal of Assets consisted of the following:

Gain on Disposals	\$ -
Loss on Disposal	(90,312)
Net Gain (Loss) on Disposals	\$ (90,312)

The Computer Annex Building was demolished in October 2007, resulting in a loss on the disposal of assets in the fiscal year ended June 30, 2008.

## **NOTE 9 - PENSION PLAN(S)**

The Retirement Division of the State Budget and Control Board maintains four independent defined benefit plans and issues its own publicly available Comprehensive Annual Financial Report (CAFR) which includes financial statements and required supplementary information. A copy of the separately issued CAFR may be obtained by writing to Financial Services, SC Retirement Services, PO Box 11960, Columbia, SC 29211. Furthermore, the Retirement System and the four pension plans are included in the CAFR of the State of South Carolina.

Article X, Section 16, of the South Carolina Constitution requires that all State-operated retirement systems be funded on a sound actuarial basis. Title 9 of the South Carolina Code of Laws of 1976, as amended, prescribes requirements relating to membership, benefits, and employee/employer contributions for each pension plan. Employee and employer contribution rates for the South Carolina Retirement System and the Police Officers Retirement System are actuarially determined. Annual benefits, payable monthly for life, are based on length of service and on average final compensation.

### *South Carolina Retirement System*

The majority of employees of the College are covered by a retirement plan through the South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan administered

## GREENVILLE TECHNICAL COLLEGE

Notes to Financial Statements  
June 30, 2009 and June 30, 2008

### **NOTE 9 - PENSION PLAN(S), continued**

by the Retirement Division, a public employee retirement system. Generally all State employees are required to participate in and contribute to the SCRS as a condition of employment unless exempted by law as provided in Section 9-1-480 of the South Carolina Code of Laws. This plan provides retirement annuity benefits as well as disability, cost of living adjustment, death, and group-life insurance benefits to eligible employees and retirees.

From July 1, 1988 to June 30, 2005, employees participating in the SCRS have been required to contribute 6.0 percent of all compensation. On July 1, 2005 the required employee contribution increased to 6.25 percent.

On July 1, 2007, the required employee contribution increased to 6.50 percent. Effective July 1, 2008, the employer contribution rate became 12.74 percent which included a 3.50 percent surcharge to fund retiree health and dental insurance coverage. The College's actual contributions to the SCRS for the three most recent fiscal years ending June 30, 2009, 2008, and 2007, were \$2,798,017, \$2,699,884, and \$2,359,494 respectively, and equaled the required contributions of 9.24 percent (excluding the surcharge) for the fiscal year 2009 and 9.06 percent (excluding the surcharge) for the fiscal year 2008 and 8.05 percent (excluding the surcharge) for fiscal year 2007. Also, the College paid employer group-life insurance contributions of \$45,422 in the current fiscal year and \$ 44,700 in the prior fiscal year at the rate of 0.15 percent of compensation.

#### *Police Officers Retirement System*

The South Carolina Police Officers Retirement System (PORS) is a cost-sharing multiple-employer defined benefit public employee retirement plan administered by the Retirement Division. Generally all full-time employees whose principal duties are the preservation of public order or the protection or prevention and control of property destruction by fire are required to participate in and contribute to the System as a condition of employment. This plan provides annuity benefits as well as disability and group-life insurance benefits to eligible employees and retirees. In addition, participating employers in the PORS contribute to the accidental death fund which provides annuity benefits to beneficiaries of police officers and firemen killed in the actual performance of their duties. These benefits are independent of any other retirement benefits available to the beneficiary.

Since July 1, 1988, employees participating in the PORS have been required to contribute 6.5 percent of all compensation. Effective July 1, 2008, the employer contribution rate became 14.15 percent which, as for the SCRS, included the 3.50 percent surcharge. The College's actual contributions to the PORS for the years ending June 30, 2009, 2008, and 2007, were \$21,033, \$17,270, and \$10,697, respectively, and equaled the required contributions of 10.65 percent (excluding the surcharge) for the year ending June 30, 2009 and 10.3 percent (excluding the surcharge) for the years ending June 30, 2008 and June 30, 2007. Also, the College paid employer group-life insurance contributions of \$395 and accidental death insurance contributions of \$395 in the current fiscal year and paid employer group-life insurance contributions of \$335 and accidental death insurance contributions of \$335 in the prior fiscal year for PORS participants. The rate for each of these insurance benefits is .20 percent of compensation.

#### *Optional Retirement Program*

The State Optional Retirement Program (State ORP) was first established as the Optional Retirement Program for Higher Education in 1987. In its current form, the State ORP is an alternative to the defined benefit SCRS plan offered to certain state, public school and higher education employees of the State. The State ORP, which is administered by the South Carolina Retirement Systems, is a defined contribution plan. State ORP participants direct the investment of their funds into a plan administered by investment providers. The State assumes no liability for State ORP benefits. Rather, the benefits are the liability of the investment providers and are governed by the terms of the contracts issued by them.

Under State law, contributions to the ORP are required at the same rates as for the SCRS, 9.24 percent plus the retiree surcharge of 3.50 percent from the employer in fiscal year 2009 and 9.06 percent plus the retiree surcharge of 3.42 percent from the employer in fiscal year 2008.

Employees are eligible for group-life insurance benefits while participating in the State ORP. However,



## GREENVILLE TECHNICAL COLLEGE

Notes to Financial Statements  
June 30, 2009 and June 30, 2008

### **NOTE 9 - PENSION PLAN(S), continued**

employees who participate in the State ORP are not eligible for postretirement group-life insurance benefits. For the fiscal year 2009, total contribution requirements to the ORP were \$763,147 (excluding the surcharge) from Greenville Technical College as employer and \$536,846 from its employees as plan members. In addition, the College paid to the SCRS employer group-life insurance contributions of \$12,389 in the current fiscal year at the rate of 0.15 percent of compensation. For the fiscal year 2008, total contribution requirements to the ORP were \$740,744 (excluding the surcharge) from Greenville Technical College as employer and \$531,439 from its employees as plan members. In addition, the College paid to the SCRS employer group-life insurance contributions of \$12,264 in the current fiscal year at the rate of 0.15 percent of compensation.

#### *Deferred Compensation Plans*

Several optional deferred compensation plans are available to State employees and employers of its political subdivisions. Certain employees of the College have elected to participate. The multiple-employer plans, created under Internal Revenue Code Sections 457, 401(k), and 403(b), are administered by third parties and are not included in the Comprehensive Annual Financial Report of the State of South Carolina. Compensation deferred under the plans is placed in trust for the contributing employee. The State has no liability for losses under the plans. Employees may withdraw the current value of their contributions when they terminate State employment. Employees may also withdraw contributions prior to termination if they meet requirements specified by the applicable plan.

#### *Teacher and Employee Retention Incentive*

Effective January 1, 2001, Section 9-1-2210 of the South Carolina Code of Laws allows employees eligible for service retirement to participate in the Teacher and Employee Retention Incentive (TERI) Program. TERI participants may retire and begin accumulating retirement benefits on a deferred basis without terminating employment for up to five years. Upon termination of employment or at the end of the TERI period, whichever is earlier, participants will begin receiving monthly service retirement benefits which will include any cost of living adjustments granted during the TERI period. Because participants are considered retired during the TERI period, they do not earn service credit, and are ineligible to receive group life insurance benefits or disability retirement benefits. Effective July 1, 2005, employees who choose to participate in the TERI program will be required to make SCRS contributions. Due to the South Carolina Supreme Court Decision in *Layman et.al. v. South Carolina Retirement System and the State of South Carolina*, employees who chose to participate in the TERI Program prior to July 1, 2005 will not be required to make SCRS contributions.

### **NOTE 10 - POSTEMPLOYMENT AND OTHER EMPLOYEE BENEFITS**

#### **a. Plan Description**

In accordance with the South Carolina Code of Laws and the annual Appropriations Act, the State provides post-employment health and dental and long-term disability benefits to retired State and school district employees and their covered dependents. "Agency" contributes to the Retiree Medical Plan (RMP) and the Long-term Disability Plan (LTDP), cost-sharing multiple-employer defined benefit postemployment healthcare and long-term disability plans administered by the Employee Insurance Program (EIP), a part of the State Budget and Control Board (SBCB). Generally, retirees are eligible for the health and dental benefits if they have established at least ten years of retirement service credit. For new hires May 2, 2008 and after, retirees are eligible for benefits if they have established twenty-five years of service for 100% employer funding and fifteen through twenty-four years of service for 50% employer funding. Benefits become effective when the former employee retires under a State retirement system. Basic long-term disability (BLTD) benefits are provided to active state, public school district and participating local government employees approved for disability.

#### **b. Funding Policies**

Section 1-11-710 and 1-11-720 of the South Carolina Code of Laws of 1976, as amended, requires these postemployment healthcare and long-term disability benefits be funded through annual appropriations by the General Assembly for active employees to the EIP and participating retirees to the SBCB except the portion funded through the pension surcharge and provided from other applicable sources of the EIP for

## **GREENVILLE TECHNICAL COLLEGE**

Notes to Financial Statements  
June 30, 2009 and June 30, 2008

### **NOTE 10 - POSTEMPLOYMENT AND OTHER EMPLOYEE BENEFITS, continued**

its active employees who are not funded by State General Fund appropriations. Employers participating in the RMP are mandated by State statute to contribute at a rate assessed each year by the Office of the State Budget, 3.50% and 3.42% of annual covered payroll for 2009 and 2008, respectively. The EIP sets the employer contribution rate based on a pay-as-you-go basis. "Agency" paid approximately \$1,355,838 and \$1,304,514 applicable to the surcharge included with the employer contribution for retirement benefits for the fiscal years ended June 30, 2009 and 2008, respectively. BLTD benefits are funded through a per person premium charged to State agencies, public school districts, and other participating local governments. The monthly premium per active employee paid to EIP was \$3.23 for the fiscal years ended June 30, 2009 and 2008.

Effective May 1, 2008 the State established two trust funds through Act 195 for the purpose of funding and accounting for the employer costs of retiree health and dental insurance benefits and long-term disability insurance benefits. The South Carolina Retiree Health Insurance Trust Fund is primarily funded through the payroll surcharge. Other sources of funding include additional State appropriated dollars, accumulated EIP reserves, and income generated from investments. The Long Term Disability Insurance Trust Fund is primarily funded through investment income and employer contributions.

One may obtain complete financial statements for the benefit plans and the trust funds from Employee Insurance Program, 1201 Main Street, Suite 360, Columbia, SC 29201.

### **NOTE 11 - CONTINGENCIES, LITIGATION, AND PROJECT COMMITMENTS**

The College is party to various lawsuits arising out of the normal conduct of its operations. In the opinion of College management, there are no material claims or lawsuits against the College that are not covered by insurance or whose settlement would materially affect the College's financial position.

The College participates in certain Federal grant programs. These programs are subject to financial and compliance audits by the grantor or its representative. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. Management believes disallowances, if any, will not be material.

Necessary funding has been obtained for the acquisition, construction, renovation, and equipping of the Northwest Campus building and land improvements, which has been capitalized in the applicable capital asset categories. At June 30, 2009 and June 30, 2008, the College had remaining commitment balances of approximately \$195,451 and \$138,600 respectively on original contracts of \$356,613 and \$18,901,864, respectively with engineering firms and construction contractors. Other projects, which are not to be capitalized when completed, are for replacements, repairs, and/or renovations to existing facilities. There were no remaining commitment balances with certain parties related to these projects at June 30, 2009 and June 30, 2008. The College anticipates funding these projects out of current resources, current and future bond issues, federal grants, private gifts, student fees, and state capital improvement bond proceeds.

During the year, the State issued research infrastructure bonds to fund deferred maintenance projects of State facilities. The College is not obligated to repay these funds to the State. Authorized funds can be requested as needed once State authorities have given approval to begin specific projects and project expenditures have occurred. The College had no authorized research infrastructure bond proceeds available to draw at June 30, 2009 and \$137,004 authorized research infrastructure bond proceeds June 30, 2008. There all funds that were available were drawn down by the college on a reimbursement basis.

#### **OTHER CAPITAL PROJECTS**

Other capital projects, which are not to be capitalized when completed, are for replacements, repairs, and/or renovations to existing facilities.



**GREENVILLE TECHNICAL COLLEGE**

Notes to Financial Statements  
June 30, 2009 and June 30, 2008

**NOTE 11 - CONTINGENCIES, LITIGATION, AND PROJECT COMMITMENTS, continued**

Unrestricted Net Assets

Planned Uses of Unrestricted Net Assets are as follows:

	<u>6/30/2009</u>	<u>6/30/2008</u>
45 Day Operating Reserve	\$ 10,273,000	\$ 8,288,000
Operating Contingency	500,000	500,000
Other Construction Project Costs	1,028,711	615,584
Total	<u>\$ 11,801,711</u>	<u>\$ 9,403,584</u>

**NOTE 12 - LEASE OBLIGATIONS****Capital Leases*****Certificates of Participation***

Greenville County entered into a lease-purchase obligation for the building of the Brashier and Greer campuses and issued Certificates of Participation for these projects. The County subleases these facilities to the College for the same cash flows necessary to pay their Certificate obligations. While the lease is contingent upon the annual appropriation of the funds by the County Council for payment of the annual lease payments, the chances of non-appropriation are remote. The College will receive title to the buildings at the end of the lease. The College therefore accounts for this lease as a capital lease.

Lease payments made under this agreement in the year ending June 30, 2009 were \$1,192,765. Lease payments for the remainder of the lease are as follows:

***1995 Certificate of Participation***

<u>Year Ended June 30</u>	<u>Capital Leases With External Parties</u>
2010	\$ 1,192,315
2011	1,189,850
2012	1,190,310
2013	1,193,410
2014	1,188,850
2015-2019	5,960,300
Total Minimum Payments	<u>11,915,035</u>
Less: Interest and Executory Costs	<u>2,615,035</u>
Present Value of Net Minimum Lease Payments	<u>\$ 9,300,000</u>

**GREENVILLE TECHNICAL COLLEGE**

Notes to Financial Statements  
June 30, 2009 and June 30, 2008

**NOTE 12 - LEASE OBLIGATIONS, continued****Capital Leases, continued**

Lease payments made under this agreement in the year ending June 30, 2008 were \$1,191,608. Lease payments for the remainder of the lease are as follows:

<b><i>1995 Certificate of Participation</i></b>	<b>2008</b>
<b><u>Year Ended June 30</u></b>	<b><u>Capital Leases with External Parties</u></b>
2009	\$ 1,192,765
2010	1,192,315
2011	1,189,850
2012	1,190,310
2013	1,193,410
2014-2018	5,955,000
2019	1,194,150
Total Minimum Payments	13,107,800
Less: Interest and Executory Costs	3,082,800
Present Value of Net Minimum Lease Payments	<u>\$ 10,025,000</u>

In August, 1999 Greenville County entered into an obligation for the lease-purchase of a portion of a retail shopping center in Greenville and issued Certificates of Participation to cover the purchase price of Greenville Technical College's portion of the purchase. The remainder of the facility was purchased by the Greenville Tech Foundation, Inc. at fair market value. Upon completion of renovations in December, 2000, the Greenville University Center was relocated to this new facility from other premises owned by the College, and subleases the renovated space. The state appropriated funds in the capital bond bill to cover the renovation costs. The State Legislature included in the budget appropriated funds for a portion of the sublease payments for the University Center, which are, in turn, used to pay a portion of the lease payments for the Certificates of Participation and a portion of the operation and maintenance of the portion of the facility subleased by the University Center. The college accounts for this lease as a capital lease.

These Certificates of Participation were partially refunded by Greenville County on February 23, 2005, with the refunded portion of the Series 1999 being replaced by Series 2005. With this transaction, the combined outstanding principle of the lease was increased by \$720,000, and the total future payments under the lease were reduced by \$1,167,084.

Lease payments made under this agreement in the year ending June 30, 2009 amounted to \$1,345,683. Lease payments for the remainder of the lease are as follows:

<b><i>2005 Refunding Certificates of Participation &amp; non refunded portion of 1999</i></b>	<b>Capital Leases With External Parties</b>
<b><u>Year Ended June 30</u></b>	
2010	\$ 1,351,437
2011	1,348,838
2012	1,345,488
2013	1,345,175
2014	1,343,475
2015-2019	6,727,750
Total Minimum Payments	13,462,163
Less: Interest and Executory Costs	2,697,163
Present Value of Net Minimum Lease Payments	<u>\$ 10,765,000</u>

# GREENVILLE TECHNICAL COLLEGE

Notes to Financial Statements  
June 30, 2009 and June 30, 2008

## **NOTE 12 - LEASE OBLIGATIONS, continued**

### **Capital Leases, continued**

Lease payments made under this agreement in the year ending June 30, 2008 amounted to \$1,343,085. Lease payments for the remainder of the lease are as follows:

#### ***2005 Refunding Certificates of Participation & non refunded portion of 1999***

<u>Year Ended June 30</u>	<u>2008 Capital Leases With External Parties</u>
2009	\$ 1,345,682
2010	1,351,438
2011	1,348,837
2012	1,345,488
2013	1,345,175
2014-2018	6,721,975
2019	1,349,250
Total Minimum Payments	<u>14,807,845</u>
Less: Interest and Executory Costs	<u>3,162,845</u>
Present Value of Net Minimum Lease Payments	<u>\$ 11,645,000</u>

The carrying value of the property associated with the leases is:

<b><i>Carrying Value of Assets under Capital Leases</i></b>	<u>2009 Capital Leases With External Parties</u>	<u>2008 Capital Leases With External Parties</u>
Assets acquired under capital leases		
Land and improvements	\$ 5,440,859	\$ 5,440,859
Buildings and improvements	<u>26,100,338</u>	<u>26,100,338</u>
Assets acquired under capital leases before accumulated amortization	<u>31,541,197</u>	<u>31,541,197</u>
Less: accumulated amortization	<u>(7,837,650)</u>	<u>(7,174,643)</u>
Assets acquired under capital leases, net	<u>\$ 23,703,547</u>	<u>\$ 24,366,554</u>

On May 13, 2008 Greenville Technical College entered into a capital lease with the Brashier Middle College, LLC, a wholly owned subsidiary of the Greenville Tech Foundation. The lease will begin in July, 2009. The lease is for a 53,000 square foot building which is being constructed by the Brashier Middle College, LLC and financed with Jobs- Economic Development Authority Revenue Bonds. The term of the lease is 30 years; the lease payments will be equal to the debt service of the bonds. At the end of the lease, the building will become the property of the College. The related operating leases are discussed below.

The Building was not complete as of June 30, 2009 and there were no lease payments made under this agreement in the years ending June 30, 2008 or June 30, 2009.

**GREENVILLE TECHNICAL COLLEGE**

Notes to Financial Statements  
June 30, 2009 and June 30, 2008

**NOTE 12 - LEASE OBLIGATIONS, continued****Capital Leases, continued**

Lease payments for the remainder of the lease are estimated as follows:

<i>Brashier Middle College Lease</i> <i>Estimated Payments</i>	Capital Leases With Component Unit
<u>Year Ended June 30</u>	
2010	\$ 552,000
2011	552,000
2012	552,000
2013	552,000
2014	552,000
2015-2019	2,760,000
2020-2024	2,760,000
2025-2029	2,760,000
2030-2034	2,760,000
2035-2038	2,208,000
Total Minimum Payments	<u>\$ 16,008,000</u>

Since the building was not complete as of June 30, 2009, this lease will be capitalized in fiscal year 2009-10. The estimated value of the building is \$8,400,000. No depreciation has been recorded in fiscal year 2008-09.

**Operating Leases**

Operating lease payments to external parties were \$29,094 and \$25,265 for fiscal 2009 and 2008, respectively.

Greenville Technical College entered into two operating lease agreements on May 13, 2008 related to the construction of the Brashier Middle College building on the Brashier Campus. The first was a ground lease with the Brashier Charter, LLC, a wholly owned subsidiary of the Greenville Tech Foundation (LLC). The LLC leased approximately 5 acres of land on the college's Brashier Campus. The lease payment is \$1.00 per year for the 31 year term. The LLC secured an \$8.4 million Jobs-Economic Development Authority Revenue Bonds to build a building on the site. The building will be jointly used by the College and Brashier Middle College, a Charter High School that is currently located on the campus. The lease between the Brashier Middle College, LLC and the College is discussed in Capital Leases above.

The second operating lease is the corresponding sublease with the Brashier Middle College Charter High School to operate and use the facilities for approximately 35 hours per week. The lease payments by Brashier Middle College will be directly related to the debt service. The cost will be 37.5% for the first year and 50% of the debt service for the second year. In years three and beyond, the lease payment will be based on a prorated share of the debt service based on the usage of the building.

On May 13, 2008, the College entered into a ground lease with Greenville County Recreation District for 19.49 acres at the College's Northwest campus for a term of 20 years. The County will build soccer and baseball fields on the site for use by the community and the college. The annual rent for the land is \$1.00

There were no lease payments to other state agencies or blended component units.

# **GREENVILLE TECHNICAL COLLEGE**

Notes to Financial Statements  
June 30, 2009 and June 30, 2008

## **NOTE 12 - LEASE OBLIGATIONS, continued**

### **Operating Leases with external parties**

At June 30, 2009, liabilities for future years are as follows:

<u>Year Ended June 30</u>		<u>Operating Leases with External Parties</u>
2010	\$	26,982
2011		17,700
2012		10,325
2013		-
2014		-
Total	\$	<u>55,007</u>

At June 30, 2008, liabilities for future years are as follows:

<u>Year Ended June 30</u>		<u>Operating Leases with External Parties</u>
2009	\$	22,950
2010		17,700
2011		17,700
2012		10,325
Total	\$	<u>68,675</u>

### **Facilities Leased to Others at June 30, 2009**

	<u>Operating leases with discretely presented component units</u>	<u>Operating leases with external parties</u>
Land and improvements	\$ 89,740	\$ 296,931
Buildings and improvements	-	764,218
Less: Accumulated Depreciation	-	(439,425)
Total Carrying Value	<u>\$ 89,740</u>	<u>\$ 621,724</u>

Note: The Brashier Middle College was still construction-in-process on the books of the Greenville Tech Foundation at June 30, 2009. The lease will not be capitalized by the college until the building is complete.

### **Facilities Leased to Others at June 30, 2008**

	<u>Operating leases with discretely presented component units</u>	<u>Operating leases with external parties</u>
Land and improvements	\$ 89,740	\$ 296,931
Buildings and improvements	34,762	764,218
Less: Accumulated Depreciation	(16,000)	(420,320)
Total Carrying Value	<u>\$ 108,502</u>	<u>\$ 640,829</u>

Note: The Greenville Tech Foundation was leasing office space from the college. This lease ended in Fiscal Year, 2008 so the carrying value of the buildings and improvements and associated accumulated depreciation is not applicable in FY 2009.

**GREENVILLE TECHNICAL COLLEGE**

Notes to Financial Statements  
June 30, 2009 and June 30, 2008

**NOTE 12 - LEASE OBLIGATIONS, continued**

**Operating Leases with external parties, continued**

Future minimum payments to be received:

**Operating Lease Revenue at June 30, 2009**

<u>Year Ended June 30</u>	<u>Operating leases with discretely presented component units</u>	<u>Operating leases with external parties</u>
2010	\$ 2	\$ 265,210
2011	2	277,386
2012	2	276,002
2013	2	276,002
2014	2	276,002
2015-2019	10	1,380,010
2020-2024	10	1,380,010
2025-2029	10	1,380,008
2030-2034	10	1,380,001
2035-2039	4	1,380,000
Total	<u>\$ 54</u>	<u>\$ 8,270,631</u>

Future minimum payments to be received:

**Operating Lease Revenue at June 30, 2008**

<u>Year Ended June 30</u>	<u>Operating leases with discretely presented component units</u>	<u>Operating leases with external parties</u>
2009	\$ 2	\$ 58,210
2010	2	8,306
2011	2	1,386
2012	2	2
2013	2	2
2014-2018	10	10
2019-2023	10	10
2024-2028	10	9
2029-2033	10	2
2034-2038	5	-
Total	<u>\$ 55</u>	<u>\$ 67,937</u>

**NOTE 13 - SHORT-TERM DEBT**

The College had no short-term debt during the year ended June 30, 2009 or the year ended June 30, 2008.



# GREENVILLE TECHNICAL COLLEGE

Notes to Financial Statements  
June 30, 2009 and June 30, 2008

## **NOTE 14 – ACCOUNTS PAYABLE**

Accounts payable as of June 30, 2009, are summarized as follows:

<b>Payables:</b>	<b>2009</b>	<b>2008</b>
Accounts Payable Trade	\$ 690,558	\$ 1,601,178
Due to Greenville County	-	941,998
Student Refunds	9,255	74,770
Accrued bond interest payable	439,903	494,422
Indirect Costs Payable	15,954	17,762
<b>Total Accounts Payable</b>	<b>\$ 1,155,670</b>	<b>\$ 3,130,130</b>
State Retirement withholding payable	\$ 497,451	\$ 498,333
Accrued payroll to employees	383,405	308,899
Other withholdings	341,765	(9,445)
<b>Total Payroll Liabilities</b>	<b>\$ 1,222,621</b>	<b>\$ 797,787</b>

## **NOTE 15 – BONDS AND NOTES PAYABLE**

### ***Bonds Payable***

Bonds payable consisted of the following at June 30, 2009:

	<b>Rates</b>	<b>Dates</b>	<b>Balance</b>
General Obligation Bonds			
Series 2002	3.5% to 5.0%	04/01/12	\$ 705,000
Series 2005	3.5% to 4.4%	04/01/26	10,260,000
Series 2005A	3.5% to 4.4%	04/01/24	6,930,000
Series 2007	4.0% to 4.5%	04/01/28	4,060,000
<b>Total Bonds Payable</b>			<b>\$ 21,955,000</b>

Bonds payable consisted of the following at June 30, 2008:

	<b>Rates</b>	<b>Dates</b>	<b>Balance</b>
General Obligation Bonds			
Series 2002	3.5% to 5.0%	04/01/12	\$ 920,000
Series 2005	3.5% to 4.4%	04/01/26	10,705,000
Series 2005A	3.5% to 4.4%	04/01/24	7,210,000
Series 2007	4.0% to 4.5%	04/01/28	4,200,000
<b>Total Bonds Payable</b>			<b>\$ 23,035,000</b>

The Series 2005 bonds were used for the construction of a building on its Northwest Campus that was partially funded by a \$2,000,000 grant from the Economic Development Administration (EDA). As a condition of the grant, the college entered into a twenty year mortgage agreement on the property with the EDA. The mortgage creates a contingent liability that would be imposed in the event that Greenville Technical College acted in a manner prohibited by the award. According to the agreement, the College may not transfer or convey, including leasing the property, without the written consent of the EDA. The College must maintain insurance coverage and must keep the property in good condition. The possibility of this mortgage resulting in a liability for the college is remote. Therefore, the contingent liability is not reflected in the College's financial statements.

**GREENVILLE TECHNICAL COLLEGE**

Notes to Financial Statements  
June 30, 2009 and June 30, 2008

**NOTE 15 – BONDS AND NOTES PAYABLE**

***Bonds Payable, continued***

The College amortizes bond issue or refinance costs over the remaining life of the bonds. The book value of these costs at June 30, 2009 is as follows:

<u>Bond Issue and Refinance Costs</u>	<u>June 30, 2008</u>	<u>Additions</u>	<u>Expense Amortized 2009</u>	<u>June 30, 2009</u>
2005 General Obligation Bond	\$ 52,000	\$ -	\$ 3,250	\$ 48,750
Certification of Participation Refinance	528,000	-	48,000	480,000
1998 and 2002 General Obligation Bond Refinance	280,500	-	16,500	264,000
2007 General Obligation Bond	75,000	-	3,750	71,250
Total Bond Issue and Refinance Costs	<u>\$ 935,500</u>	<u>\$ -</u>	<u>\$ 71,500</u>	<u>\$ 864,000</u>

The book value of these costs at June 30, 2008 is as follows:

<u>Bond Issue and Refinance Costs</u>	<u>June 30, 2007</u>	<u>Additions</u>	<u>Expense Amortized 2008</u>	<u>June 30, 2008</u>
2005 General Obligation Bond	\$ 55,250	\$ -	\$ 3,250	\$ 52,000
Certification of Participation Refinance	576,000	-	48,000	528,000
1998 and 2002 General Obligation Bond Refinance	297,000	-	16,500	280,500
2007 General Obligation Bond	-	75,000	-	75,000
Total Bond Issue and Refinance Costs	<u>\$ 928,250</u>	<u>\$ 75,000</u>	<u>\$ 67,750</u>	<u>\$ 935,500</u>

The College recognized a liability for prepaid interest related to the refinance of the 1999 Certificates of Participation. This revenue is recognized annually over the life of the refinance, a summary of the activity for the fiscal year ended June 30, 2009 is as follows:

<u>Revenue from Refinance</u>	<u>June 30, 2008</u>	<u>Interest Income Recognized 2009</u>	<u>June 30, 2009</u>
Deferred Revenue - 1999 Certificate of Participation	\$ 205,453	\$ 18,678	\$ 186,775

A summary of the activity for the fiscal year ended June 30, 2007 is as follows:

<u>Revenue from Refinance</u>	<u>June 30, 2007</u>	<u>Interest Income Recognized 2008</u>	<u>June 30, 2008</u>
Deferred Revenue - 1999 Certificate of Participation	\$ 224,131	\$ 18,678	\$ 205,453

Greenville County bonds are general obligation bonds of the County and are backed by the full faith, credit and taxing power of the County. The County supports the operations of the College with annual appropriations sufficient to meet the annual debt service requirements of the bonds.

**GREENVILLE TECHNICAL COLLEGE**

Notes to Financial Statements  
June 30, 2009 and June 30, 2008

**NOTE 15 – BONDS AND NOTES PAYABLE*****Bonds Payable, continued***

The scheduled maturities of the bonds payable by type at June 30, 2009 are as follows:

<b>Greenville County Bonds</b>	<b>Principal</b>	<b>Interest</b>	<b>Payments</b>
2010	\$ 1,115,000	890,858	2,005,858
2011	1,160,000	847,707	2,007,707
2012	1,200,000	804,382	2,004,382
2013	1,225,000	759,558	1,984,558
2014	1,270,000	712,208	1,982,208
2015-2019	6,765,000	2,759,362	9,524,362
2020-2024	6,515,000	1,436,868	7,951,868
2025-2028	2,705,000	231,810	2,936,810
<b>Total</b>	<b>\$ 21,955,000</b>	<b>8,442,753</b>	<b>30,397,753</b>

The scheduled maturities of the bonds payable by type at June 30, 2008 are as follows:

<b>Greenville County Bonds</b>	<b>Principal</b>	<b>Interest</b>	<b>Payments</b>
2009	\$ 1,080,000	930,432	2,010,432
2010	1,115,000	890,858	2,005,858
2011	1,160,000	847,707	2,007,707
2012	1,200,000	804,382	2,004,382
2013	1,225,000	759,558	1,984,558
2014-2018	6,875,000	3,034,487	9,909,487
2019-2023	6,270,000	1,695,462	7,965,462
2024-2028	4,110,000	410,299	4,520,299
<b>Total</b>	<b>\$ 23,035,000</b>	<b>9,373,185</b>	<b>32,408,185</b>

***Notes Payable***

The college had no notes payable at the year ended June 30, 2009 or the year ended June 30, 2008.

**NOTE 16 - LONG-TERM LIABILITIES**

Long-term liability activity for the year ended June 30, 2009 follows:

	<b>July 1, 2008</b>	<b>Additions</b>	<b>Reductions</b>	<b>June 30, 2009</b>	<b>Due Within One Year</b>
County Bonds	\$ 23,035,000	-	1,080,000	21,955,000	1,115,000
Capital Lease Obligations	21,670,000	-	1,605,000	20,065,000	1,675,000
Accrued Compensated Absences	3,190,083	1,557,600	1,508,669	3,239,014	290,216
<b>Total Long-Term Liabilities</b>	<b>\$ 47,895,083</b>	<b>1,557,600</b>	<b>4,193,669</b>	<b>45,259,014</b>	<b>3,080,216</b>

**GREENVILLE TECHNICAL COLLEGE**

Notes to Financial Statements  
June 30, 2009 and June 30, 2008

**NOTE 16 - LONG-TERM LIABILITIES, continued**

Long-term liability activity for the year ended June 30, 2008 follows:

	July 1, 2007	Additions	Reductions	June 30, 2008	Due Within One Year
County Bonds	\$ 19,915,000	4,200,000	1,080,000	23,035,000	1,080,000
Capital Lease Obligations	23,210,000	-	1,540,000	21,670,000	1,605,000
Accrued Compensated Absences	2,998,715	1,606,099	1,414,731	3,190,083	280,727
Total Long-Term Liabilities	<u>\$ 46,123,715</u>	<u>5,806,099</u>	<u>4,034,731</u>	<u>47,895,083</u>	<u>2,965,727</u>

Additional information regarding Bonds Payable is included at Note 15, and additional information regarding Capital Lease Obligations is included at Note 12.

**NOTE 17 - RELATED ORGANIZATIONS, RELATED PARTY TRANSACTIONS, AND TRANSACTIONS WITH DISCRETELY PRESENTED COMPONENT UNITS**

Certain separately chartered legal entities whose activities are related to those of the College exist primarily to provide financial assistance and other support to the College and its educational program. Financial statements for these entities are audited by independent auditors and retained by them. They include the Greenville Tech Foundation, Inc. The activities of these entities are not included in the College's financial statements. However, the College's statements include transactions between the College and these related parties.

Management reviewed its relationship with the Foundation under the existing guidance of GASB Statement No. 14, as amended by GASB 39. Because of the nature and the significance of its relationship with the College, the Foundation is considered a component unit of the College.

Following is a more detailed discussion of the Foundation and a summary of significant transactions between this entity and the College for the year ended June 30, 2009.

***The Greenville Tech Foundation, Inc.***

The Foundation is a separately chartered corporation organized exclusively to receive and manage private funds for the exclusive benefit and support of the College. The Foundation's activities are governed by its Board of Directors.

The College recorded non-governmental gifts receipts of \$181,254 from the Foundation in non-operating revenues for the fiscal year ending June 30, 2009 and \$158,510 for the fiscal year ended June 30, 2008. These funds were used to support College programs such as scholarships. The Foundation reimburses the College for any purchases made by the College on behalf of the Foundation.

The Foundation's net assets as of June 30, 2009 were \$8,621,693. The Foundation's net assets as of June 30, 2008 were \$10,184,146.

Related party receivables and payables as of June 30, 2009 and June 30, 2008 are as follows:

	<u>June 30, 2009</u>	<u>June 30, 2008</u>
Due from the Foundation	\$ 12,449	\$ 5,190
Due to the Foundation	\$ 10	\$ 100

# GREENVILLE TECHNICAL COLLEGE

Notes to Financial Statements  
June 30, 2009 and June 30, 2008

## **NOTE 18 - RISK MANAGEMENT**

The College is exposed to various risks of loss and maintains State or commercial insurance coverage for each of those risks. Management believes such coverage is sufficient to preclude any significant uninsured losses for the covered risks. Settlement claims have not exceeded this coverage in any of the past three years.

The State of South Carolina believes it is more economical to manage certain risks internally and set aside assets for claim settlement. Several state funds accumulate assets and the State itself assumes substantially all the risk for the following claims of covered employees:

- Unemployment compensation benefits
- Worker's compensation benefits for job-related illnesses or injuries
- Health and dental insurance benefits
- Long-term disability and group-life insurance benefits

Employees elect health insurance coverage through either a health maintenance organization or through the State's self-insured plan.

The College and other entities pay premiums to the State's Insurance Reserve Fund (IRF), which issues policies, accumulates assets to cover the risk of loss, and pays claims incurred for covered losses relating to the following activities:

- Theft, damage to, or destruction of assets
- Real property, its contents, and other equipment
- Motor vehicles and watercraft
- Torts
- Natural disasters
- Medical malpractice claims against the Infirmary

The IRF is a self-insurer and purchases reinsurance to obtain certain services and to limit losses in certain areas. The IRF's rates are determined actuarially.

The College obtains coverage through a commercial insurer for employee fidelity bond insurance for all employees for losses arising from theft or misappropriation.

## **NOTE 19 - REVENUES**

Revenues for tuition and fees and auxiliary enterprise services are shown in the statement of Revenues, Expenses and Changes in Net Assets, net of scholarship allowances and bad debt expense. The detail is as follows:

	<b><u>2009</u></b>	<b><u>2008</u></b>
Total Student Tuition and Fees	48,102,115	45,937,684
Less Scholarship Allowances	(19,530,685)	(17,411,553)
Less Bad Debt Expense	(994,298)	(1,018,704)
Student Tuition and Fees, net	<u>\$ 27,577,132</u>	<u>\$ 27,507,427</u>
Auxiliary Enterprises Revenues	7,446,441	6,678,703
Less Scholarship Allowances	(1,830,206)	(1,449,069)
Less Bad Debt Expense	(174,703)	(150,628)
Auxiliary Enterprises, net	<u>\$ 5,441,532</u>	<u>\$ 5,079,006</u>



**GREENVILLE TECHNICAL COLLEGE**  
Notes to Financial Statements  
June 30, 2009 and June 30, 2008

**NOTE 20 - OPERATING EXPENSES BY FUNCTION**

Operating expenses by functional classification for the year ended June 30, 2009 are summarized as follows:

	Salaries	Benefits	Scholarships	Utilities	Supplies and Other Services	Depreciation	Total
Instruction	\$ 28,218,224	6,834,080	-	-	7,984,313	-	43,036,617
Academic Support	6,961,427	1,920,601	-	-	2,809,143	-	11,691,171
Student Services	3,599,558	1,000,954	-	-	1,314,851	-	5,915,363
Operation and Maintenance of Plant	3,433,954	773,069	-	2,529,831	3,323,691	-	10,060,545
Institutional Support	3,730,192	1,064,834	-	-	692,722	-	5,487,748
Scholarships & Fellowships	-	-	12,002,989	-	-	-	12,002,989
Auxiliary Enterprises	345,925	69,687	-	-	6,192,737	-	6,608,349
Depreciation	-	-	-	-	-	4,436,707	4,436,707
Total Operating Expenses	<u>\$ 46,289,280</u>	<u>11,663,225</u>	<u>12,002,989</u>	<u>2,529,831</u>	<u>22,317,457</u>	<u>4,436,707</u>	<u>99,239,489</u>

Operating expenses by functional classification for the year ended June 30, 2008 are summarized as follows:

	Salaries	Benefits	Scholarships	Utilities	Supplies and Other Services	Depreciation	Total
Instruction	\$ 27,539,251	6,528,363	-	-	9,431,332	-	43,498,946
Academic Support	7,067,054	1,862,556	-	-	3,096,920	-	12,026,530
Student Services	3,591,376	1,005,530	-	-	1,259,629	-	5,856,535
Operation and Maintenance of Plant	3,533,394	748,356	-	2,525,443	4,202,252	-	11,009,445
Institutional Support	3,836,872	1,065,978	-	-	1,030,696	-	5,933,546
Scholarships & Fellowships	-	-	10,035,768	-	-	-	10,035,768
Auxiliary Enterprises	324,514	65,219	-	-	5,526,241	-	5,915,974
Depreciation	-	-	-	-	-	4,196,851	4,196,851
Total Operating Expenses	<u>\$ 45,892,461</u>	<u>11,276,002</u>	<u>10,035,768</u>	<u>2,525,443</u>	<u>24,547,070</u>	<u>4,196,851</u>	<u>98,473,595</u>

**GREENVILLE TECHNICAL COLLEGE**

Notes to Financial Statements  
June 30, 2009 and June 30, 2008

**NOTE 21 – STATEMENT OF ACTIVITIES**

**REQUIRED INFORMATION ON BUSINESS-TYPE ACTIVITIES  
FOR INCLUSION IN STATE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
FISCAL YEAR ENDING JUNE 30, 2009**

	<u>2009</u>	<u>2008</u>	<u>Increase/ (Decrease)</u>
Charges for services	\$ 69,419,452	\$ 64,491,394	\$ 4,928,058
Operating grants and contributions	12,530,236	12,598,640	(68,404)
Other Operation Revenue	677,893	558,045	119,848
Capital grants and contributions	-	-	-
Less: expenses	<u>(100,985,613)</u>	<u>(100,233,414)</u>	<u>(752,199)</u>
Net program revenue (expense)	<u>(18,358,032)</u>	<u>(22,585,335)</u>	<u>4,227,303</u>
Transfers:			
State appropriations	19,380,516	24,940,026	(5,559,510)
State capital appropriations	936,200	2,985,962	(2,049,762)
Other transfers in from state agencies/ funds	-	-	-
Total general revenue and transfers	<u>20,316,716</u>	<u>27,925,988</u>	<u>(7,609,272)</u>
Change in net assets	1,958,684	5,340,653	(3,381,969)
Net assets-beginning	75,158,140	69,817,487	5,340,653
Net assets-ending	<u>\$ 77,116,824</u>	<u>\$ 75,158,140</u>	<u>\$ 1,958,684</u>

**NOTE 22– TRANSACTIONS WITH OTHER AGENCIES**

The College had significant transactions with the State of South Carolina and various agencies.

Services received at no cost from State agencies include maintenance of certain accounting records by the Comptroller General; check preparation, banking, bond trustee, and investment services from the State Treasurer; and legal services from the Attorney General.

Other services received at no cost from the various offices of the State Budget and Control Board include pension plan administration, insurance plans administration, grant services, personnel management, assistance in the preparation of the State Budget, review and approval of certain budget amendments, procurement services, and other centralized functions.

**NOTE 23 GRANT RECEIVABLE**

On March 3, 2007 the College was awarded a grant from the Economic Development Administration (EDA) of \$2,000,000, which was reported in the College's receivables as of June 30, 2007. Of the total award amount \$1,500,000 constitutes a grant from the Economic Development Administration (EDA) and \$500,000 is a supplementary grant from the Appalachian Regional Commission. The grant is for the construction of the first building on the College's Northwest Campus. The estimated cost of the project at the time of the grant was \$13,041,000. The College has expensed all of the funds from this grant as of June 30, 2008 and received the final payment of \$200,000 in July 2008.

For the year ended June 30, 2009, there were no outstanding grant receivables.

## GREENVILLE TECHNICAL COLLEGE

Notes to Financial Statements  
June 30, 2009 and June 30, 2008

### **NOTE 24 – COMPONENT UNIT INFORMATION – GREENVILLE TECH FOUNDATION**

The College's component unit, Greenville Tech Foundation, Inc. is a separate legal entity. The Foundation issues its own audited financial statements. The consolidated statement of financial position and statement of activities are shown on pages 16 and 17-18, respectively. Following are the footnotes associated with those statements.

#### **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Organization:** Greenville Tech Foundation, Inc. (the "Foundation") was founded in 1973 in Greenville, South Carolina as an eleemosynary organization. The primary objective of the Foundation is to support the education at Greenville Technical College (the "College") through financial assistance to the College and its students. During December 2002, the Foundation formed a wholly owned subsidiary, GTF McAlister, LLC as discussed on page 58. In 2004, the Foundation formed a wholly owned subsidiary, GTF Student Housing, LLC as discussed on page 55. This subsidiary is responsible for the building and maintenance of student housing on the Greenville Technical College campus. Student housing opened during the fall semester of 2006. During 2008, the Foundation formed a wholly owned subsidiary, Brashier Charter, LLC as discussed on page 55. This subsidiary is responsible for the construction of a classroom building and gymnasium on the Brashier Campus of Greenville Technical College. Construction began on this project in the fall of 2008 and the building is scheduled to open in August 2009.

**Method of Accounting:** The financial statements of the Foundation have been prepared using the accrual basis of accounting. Revenues are recognized when earned and expenditures are recognized when incurred.

**Income Taxes:** The Foundation is exempt from income taxes under Section 501(c)(3) and Section 509(a)(3) of the Internal Revenue Code.

**Accounting for Contributions:** The accompanying financial statements are presented in accordance with Statement of Financial Accounting Standards No. 116, *Accounting for Contributions Received and Contributions Made*, (SFAS No. 116) and Statement of Financial Accounting Standards No. 117, *Financial Statements for Not-for-Profit Organizations* (SFAS No. 117).

Under these provisions, net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

- Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.
- Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that will be met either by action of the Foundation and/or passage of time.
- Permanently restricted net assets – Net assets required by the donor to be held in perpetuity.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

## GREENVILLE TECHNICAL COLLEGE

Notes to Financial Statements  
June 30, 2009 and June 30, 2008

### **NOTE 24 – COMPONENT UNIT INFORMATION, continued**

#### **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

Contributions of assets and equipment other than cash are recorded at their estimated fair value. During the year ended June 30, 2009 and 2008, the Foundation received donations of property and equipment that they capitalized of \$-0- and \$81,900, respectively. The Foundation received noncash equipment donations of \$472,813 and \$941,678 during the years ended June 30, 2009 and 2008, respectively. The noncash equipment contributions were in turn donated to Greenville Technical College and are reported in Equipment purchases/gifts-in-kind in the Consolidated Statement of Activities – Program Expenses – College Support for the years ended June 30, 2009 and 2008.

**Principles of consolidation:** The consolidated financial statements include the accounts of the Foundation and its wholly owned subsidiaries, GTF McAlister, LLC, GTF Student Housing, LLC and Brashier Charter, LLC. All material intercompany accounts and transactions have been eliminated.

**Cash and Cash Equivalents:** For purposes of the statements of cash flows, the Foundation considers cash accounts which are not subject to withdrawal restrictions or penalties, money market accounts and certificates of deposit with original maturities of 90 days or less to be cash and cash equivalents.

**Investments:** In accordance with Statement of Financial Accounting Standards No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations* (SFAS No. 124), the Foundation records investments at fair value. Realized and unrealized gains and losses are reported on the consolidated statements of activities.

**Accounts receivable – trade:** GTF McAlister considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts has been established. If accounts become uncollectible, they will be charged to operations when that determination is made. GTF Student Housing, LLC leases the housing units to students of Greenville Technical College. The subsidiary's trade accounts receivable are due from the students and are generally uncollateralized. Management closely monitors outstanding accounts receivable and establishes an allowance for doubtful accounts for any balances that are determined to be uncollectible. As of June 30, 2009 and 2008, the subsidiary established an allowance for doubtful accounts in the amount of \$24,040 and \$50,950, respectively.

**Student loans receivable:** Student loans receivable are unsecured short-term loans made to College students. These loans bear no interest if paid on a timely basis. If payments are late, the loans bear 1.5% interest monthly as well as a one-time late fee in the first late month. In management's opinion, no allowance for uncollectible accounts receivable is necessary.

**Pledges receivable:** Pledges receivable are recorded when the donor makes a promise to give. In management's opinion no allowance for uncollectible pledges receivable is necessary.

**Leases receivable:** Leases receivable represent the future payments due from leases that were in effect on December 31, 2002, the date that the McAlister Master Lease was purchased, less amounts collected since January 1, 2003. See pages 49 and 58 for more information.

**Charitable remainder trusts receivable:** Charitable remainder trusts represent assets that are currently held in trust for the benefit of designated income beneficiaries. Upon the death of the beneficiaries or designation by the agreement, the assets held in trust will be distributed to the Foundation based upon the provisions of the trust, principally for unrestricted use. The value of assets and liabilities of the charitable remainder trusts is computed using a discount rate for each

## GREENVILLE TECHNICAL COLLEGE

Notes to Financial Statements  
June 30, 2009 and June 30, 2008

### **NOTE 24 – COMPONENT UNIT INFORMATION, continued**

#### **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

individual trust. Under these trusts, the Foundation is not the trustee. Therefore, a receivable is recorded based on the current fair value of the assets in the trust in the year in which the Foundation is notified of the gift's existence. The receivable is adjusted to the net present value based on expected growth, payouts and discount rate over the expected lives of the creators.

**Property and equipment:** The Foundation follows the practice of capitalizing all expenses for land, building and equipment in excess of \$1,000. The fair value of any donated land, buildings and equipment is similarly capitalized. The cost of buildings, leasehold improvements and equipment is depreciated over the estimated useful lives of the related assets. Depreciation is computed using the straight-line method as follows:

Buildings and leasehold improvements	40 years
Furniture and fixtures, equipment, automobiles and aircraft	3 – 10 years

Donations of property and equipment are recorded as support at their estimated fair values on the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions for cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Foundation reclassifies temporarily restricted net assets to unrestricted net assets at that time.

**Fair Value of Financial Instruments:** Statement of Financial Accounting Standards No. (SFAS) 157, *Fair Value Measurements*, defines fair value, establishes a framework for measuring fair value in accounting principles generally accepted in the United States of America, and expands disclosures regarding the fair value measurements of certain financial instruments. SFAS 157 addresses acceptable valuation techniques and establishes a fair value hierarchy that distinguishes between (1) market participant assumptions developed based on market data obtained from independent sources (observable inputs) and (2) the reporting entity's own assumptions about market participant assumptions developed based on the best information available in the circumstances (unobservable inputs). The fair value hierarchy consists of three broad levels, and gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1), and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are as follows:

- *Level 1 inputs* are unadjusted quoted prices for identical assets and liabilities in active markets to which the reporting entity has access.
- *Level 2 inputs* are inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. They include quoted prices for similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable (for example, interest rates); and inputs that are derived from or corroborated by observable market data.
- *Level 3 inputs* are unobservable and are significant to the fair value measurement.

SFAS 157 expands disclosures about fair value measurements for certain financial assets and liabilities.

The carrying amounts of cash, receivables, accounts payable, and other accrued liabilities approximate fair value because of the short maturity of these financial instruments. The carrying values of the Foundation's investments are based on information provided by external investment managers or comparison to quoted market values.

The carrying amounts of notes payable and bonds payable approximate fair value because these



## GREENVILLE TECHNICAL COLLEGE

Notes to Financial Statements  
June 30, 2009 and June 30, 2008

### **NOTE 24 – COMPONENT UNIT INFORMATION, continued**

#### **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

financial instruments bear interest at rates which approximate current market rates for notes and bonds with similar maturities and credit equity.

**Contributions:** Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of the donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (when the stipulated time restriction ends or the purpose of the restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions.

**Use of Estimates:** The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### **RESTRICTED CASH**

By agreement with the financial institution that issued the letter of credit discussed on page 56, the Foundation deposits funds monthly into a restricted, interest bearing account. The funds can only be used toward the annual payment requirements of the Economic Revenue Development Bonds discussed on page 55. Cash restricted for the purpose of paying the annual letter of credit fee was \$101,635 and \$103,845 at June 30, 2009 and 2008, respectively. Cash restricted for the purpose of paying the annual principal payment was \$229,218 and \$204,596 at June 30, 2009 and 2008, respectively.

Also, in relation to the Student Housing construction project, the financial institution required the Foundation to establish a Capital Repairs, Replacement and Maintenance Fund with the financial institution. Monies are deposited into this fund on a monthly basis to fund the cost of capital expenditures associated with the operations of the project. Disbursements from this capital fund shall be approved by the financial institution prior to any disbursements to the Foundation. At June 30, 2009 and 2008, cash restricted for this purpose totaled \$172,817 and \$104,456.

At June 30, 2008 the GTF Student Housing, LLC was holding \$13,548 of undisbursed construction project funds in an interest-bearing trust account at a financial institution. The proceeds were only to be disbursed for approved requisition requests from the project developer and for payments of interest to the bondholders of record. These funds were disbursed during the year ended June 30, 2009.

As a provision of the bond disbursement activities for the GTF Student Housing, LLC, the financial institution required the Foundation to place \$1,100,000 of funds aside as collateral to pay bond payments and interest payments in the event housing fees were inadequate to cover them. At June 30, 2008, the Foundation had collateral of \$1,100,000 of certificates of deposit which matured on various dates in October and November, 2008 recorded as restricted cash. During the year ended June 30, 2009, the Foundation negotiated with the financial institution to allow GTF Student Housing, LLC to use the funds from the matured certificates of deposits to pay down the principal as they matured.

Also, at June 30, 2009 and 2008 respectively, the Foundation had \$100,000 in permanently restricted net assets invested in a certificate of deposit based on donor stipulations.

**GREENVILLE TECHNICAL COLLEGE**

Notes to Financial Statements  
June 30, 2009 and June 30, 2008

**NOTE 24 – COMPONENT UNIT INFORMATION, continued****RESTRICTED CASH, continued**

At June 30, 2009, Brashier Charter, LLC, had undisbursed construction project funds of \$1,547,516 in an interest-bearing trust account at a financial institution. The proceeds were only to be disbursed for approved requisition requests from the project developer. Brashier Charter, LLC, also had undisbursed capitalized interest funds of \$58,250 in an interest-bearing trust account at a financial institution. These proceeds were only to be used for payments of debt service.

The Foundation is holding cash balances temporarily restricted by donors in the amount of \$359,940 and \$182,976 as of June 30, 2009 and 2008, respectively. The Foundation is also holding cash balances permanently restricted by donors in the amount of \$73,542 and \$316,173 as of June 30, 2009 and 2008, respectively. The Foundation also holds restricted cash funds of \$372,576 and \$267,780 as of June 30, 2009 and 2008 in its investment accounts.

**CONCENTRATION OF CREDIT RISK**

The Foundation maintains cash balances at several financial institutions. Interest bearing accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000, plus an unlimited amount on non-interest bearing accounts through December 31, 2013. The cash balances held in broker accounts are insured by the Securities Investor Protection Corporation to a maximum of \$100,000. At times the Foundation's cash balances on deposit at these financial institutions are in excess of the federally insured limits.

**PLEDGES RECEIVABLE**

The pledges receivable are unconditional and due over five years. Uncollectible promises are expected to be insignificant.

Unconditional promises to give as of June 30 are:

	<b><u>2009</u></b>	<b><u>2008</u></b>
Receivable in less than one year	\$ 276,746	\$ 196,284
Receivable in one to five years	17,681	145,081
	<u>294,427</u>	<u>341,365</u>
Less: discount to net present value	1,107	10,194
Pledges receivable (net)	<u>\$ 293,320</u>	<u>\$ 331,171</u>

**LEASES RECEIVABLE**

Leases receivable consisted of the following as of June 30:

	<b><u>2009</u></b>	<b><u>2008</u></b>
Leases receivable	\$ -	\$ 36,000
Allowance for loss	-	-
Leases receivable (net)	<u>\$ -</u>	<u>\$ 36,000</u>

**CASH SURRENDER VALUE OF LIFE INSURANCE**

The Foundation is the owner and beneficiary of several life insurance policies with aggregate cash surrender values of \$21,000 and \$21,007 at June 30, 2009 and 2008, respectively.

**GREENVILLE TECHNICAL COLLEGE**

Notes to Financial Statements  
June 30, 2009 and June 30, 2008

**NOTE 24 – COMPONENT UNIT INFORMATION, continued****CHARITABLE REMAINDER TRUSTS RECEIVABLE**

The Foundation is the beneficiary of several charitable remainder trusts with aggregate values of \$239,025 and \$468,842 at June 30, 2009 and 2008, respectively.

**INVESTMENTS**

Investments of the Foundation are recorded at fair value as determined by quoted market prices.

The fair values and cost bases of investments at June 30, 2009 and 2008 are as follows:

	2009			2008		
	Fair Value	Cost	Unrealized Appreciation / (Depreciation)	Fair Value	Cost	Unrealized Appreciation / (Depreciation)
US Government securities	\$ 750,518	\$ 721,902	\$ 28,616	\$ 1,517,896	\$ 1,462,341	\$ 55,555
Mutual funds	621,134	646,544	(25,410)	635,462	619,220	16,242
Corporate bonds	907,516	887,033	20,483	804,492	779,667	24,825
Common stocks	1,829,198	1,950,457	(121,259)	2,012,170	1,946,814	65,356
	<u>\$ 4,108,366</u>	<u>\$ 4,205,936</u>	<u>\$ (97,570)</u>	<u>\$ 4,970,020</u>	<u>\$ 4,808,042</u>	<u>\$ 161,978</u>

The composition of the investment return for the years ended June 30, 2009 and 2008:

	2009	2008
Interest and dividends	\$ 267,762	\$ 212,797
Fees	(43,577)	(51,734)
Unrealized/realized gains (losses)	(568,765)	(179,667)
	<u>\$ (344,580)</u>	<u>\$ (18,604)</u>

**ENDOWMENT**

Greenville Tech Foundation, Inc.'s endowment funds consist of approximately 101 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

**GREENVILLE TECHNICAL COLLEGE**

Notes to Financial Statements  
June 30, 2009 and June 30, 2008

**NOTE 24 – COMPONENT UNIT INFORMATION, continued**

**ENDOWMENT, continued**

Endowment Net Asset Composition by Type of Funds as of June 30, 2009:

	Unrestricted	Unrestricted Board Designated	Temporarily Restricted	Permanently Restricted – Corpus	Total
Endowment Funds	\$ -	\$ 1,420,538	\$ (265,766)	\$ 3,246,905	\$ 4,401,677

Endowment Net Asset Composition by Type of Funds as of June 30, 2008:

	Unrestricted	Unrestricted Board Designated	Temporarily Restricted	Permanently Restricted – Corpus	Total
Endowment Funds	\$ -	\$ 2,030,110	\$ 53,833	\$ 3,194,511	\$ 5,278,454

Changes in Endowment Net Assets for the Year Ended June 30:

	Unrestricted	Unrestricted Board Designated	Temporarily Restricted	Permanently Restricted – Corpus	Total
Endowment net assets, June 30, 2007	\$ -	\$ 1,698,237	\$ 117,273	\$ 2,982,415	\$ 4,797,925
Restatement due to UPMIFA	-	-	(28,366)	28,366	-
Investment return:					
Investment income (loss), net	-	44,618	64,883	-	109,501
Change in value of CSV and CRUTs	-	55,097	1,969	-	57,066
Transfer from unrestricted	-	179,614	-	-	179,614
Net appreciation (depreciation) realized and unrealized	-	(53,286)	(100,494)	-	(153,780)
Contributions	-	105,830	-	183,730	289,560
Appropriations of endowment assets for expenditure	(1,432)	-	-	-	(1,432)
Net Assets released from restrictions	1,432	-	(1,432)	-	-
Endowment net assets, June 30, 2008	-	2,030,110	53,833	3,194,511	5,278,454
Investment return:					
Investment income (loss), net	-	49,673	102,007	-	151,680
Change in value of CSV and CRUTs	-	(228,864)	(2,001)	-	(230,865)
Net appreciation (depreciation) realized and unrealized	-	(138,287)	(340,890)	-	(479,177)
Contributions	-	20,185	-	52,394	72,579
Appropriations of endowment assets for expenditure	(390,994)	-	-	-	(390,994)
Net Assets released from restrictions	390,994	(312,279)	(78,715)	-	-
Endowment net assets, June 30, 2009	\$ -	\$ 1,420,538	\$ (265,766)	\$ 3,246,905	\$ 4,401,677

## GREENVILLE TECHNICAL COLLEGE

Notes to Financial Statements  
June 30, 2009 and June 30, 2008

### **NOTE 24 – COMPONENT UNIT INFORMATION, continued**

#### **ENDOWMENT, continued**

Interpretation of Relevant Law: During 2008 the South Carolina Legislature enacted the South Carolina Uniform Prudent Management of Institutional Funds Act. The Board of Directors has interpreted this act as requiring the preservation of the fair value of the original gift as of the gift date of donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Greenville Tech Foundation, Inc. classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by the South Carolina Uniform Prudent Management of Institutional Funds Act. In accordance with this act, the organization considers the following facts in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of Greenville Tech Foundation, Inc. and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the organization
- (7) The investment policies of the organization

Return Objectives and Risk Parameters: Greenville Tech Foundation, Inc. has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that Greenville Tech Foundation, Inc. must hold in perpetuity or for a donor-specified period as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that achieve a target rate of return of 5% net of fees.

Strategies Employed for Achieving Objectives: To satisfy its long-term rate-of-return objectives, Greenville Tech Foundation, Inc. relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Greenville Tech Foundation, Inc. targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending policy and how the Investment Objectives Relate to Spending Policy: Greenville Tech Foundation, Inc. has a policy of appropriating for distribution each year up to 5 percent of its endowment fund's average fair value over the prior 4 quarters through the calendar year-end proceeding the fiscal year in which the distribution is planned. In establishing this policy, Greenville Tech Foundation, Inc. considered the long-term expected return on its endowment. Accordingly, over the long term, Greenville Tech Foundation, Inc. expects the current spending policy to allow its endowment to grow at an average of 3 percent annually. This is consistent with Greenville Tech Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.



# GREENVILLE TECHNICAL COLLEGE

Notes to Financial Statements  
June 30, 2009 and June 30, 2008

## **NOTE 24 – COMPONENT UNIT INFORMATION, continued**

### **INTANGIBLE ASSETS**

In July of 2008, Brashier Charter, LLC was granted variable rate Economic Development Revenue bonds of \$8,410,000 by the South Carolina Jobs – Economic Development Authority to construct a classroom building and gymnasium on the Brashier Campus of Greenville Technical College. Bond issuance costs of \$189,600 were reimbursed by the bond proceeds and will be amortized over the life of the bonds.

In December of 2005, GTF Student Housing, LLC was granted variable rate Economic Development Revenue Bonds of \$16,300,000 by the South Carolina Jobs – Economic Development Authority to construct student housing on the Greenville Technical College Campus. The loan costs of \$514,304 are capitalized and amortized over the life of the bonds.

The Foundation's loan cost intangible assets consisted of the following at June 30, 2009 and 2008:

	2009	2008
Loan Costs	\$ 703,904	\$ 561,467
Less: Accumulated Amortization	(67,352)	(43,873)
	<u>\$ 636,552</u>	<u>\$ 517,594</u>

Amortization for the years ended June 30, 2009 and 2008 was \$23,479 and \$17,159, respectively.

Future amortization expense of these loan costs for the years ending June 30 are:

2010	\$ 23,479
2011	23,479
2012	23,479
2013	23,479
2014	23,479
Thereafter	519,157
	<u>\$ 636,552</u>

### **PROPERTY AND EQUIPMENT**

The following is a summary of property and equipment at June 30, 2009:

	Greenville Tech Foundation, Inc	GTF McAlister, LLC	GTF Student Housing, LLC	Brashier Charter, LLC	Consolidated
Furniture and fixtures	\$ 4,000	\$ -	\$ 709,470	\$ -	\$ 713,470
Equipment	425,520	32,008	-	-	457,528
Automobiles and aircraft	107,000	-	-	-	107,000
Buildings	-	2,198,633	15,230,665	-	17,429,298
Leasehold improvements	-	5,272,236	-	-	5,272,236
Land	1,097,034	-	-	-	1,097,034
Work-in-progress	-	-	-	7,411,961	7,411,961
	<u>1,633,554</u>	<u>7,502,877</u>	<u>15,940,135</u>	<u>7,411,961</u>	<u>32,488,527</u>
Less: Accumulated depreciation	<u>367,517</u>	<u>1,752,495</u>	<u>1,251,086</u>	<u>-</u>	<u>3,371,098</u>
	<u>\$ 1,266,037</u>	<u>\$ 5,750,382</u>	<u>\$ 14,689,049</u>	<u>\$ 7,411,961</u>	<u>\$ 29,117,429</u>

# GREENVILLE TECHNICAL COLLEGE

Notes to Financial Statements  
June 30, 2009 and June 30, 2008

## **NOTE 24 – COMPONENT UNIT INFORMATION, continued**

### **PROPERTY AND EQUIPMENT, continued**

The following is a summary of property and equipment at June 30, 2008:

	Greenville Tech Foundation, Inc	GTF McAlister, LLC	GTF Student Housing, LLC	Brashier Charter, LLC	Consolidated
Furniture and fixtures	\$ 48,947	\$ -	\$ 709,470	\$ -	\$ 758,417
Equipment	1,198,687	32,008	-	-	1,230,695
Automobiles and aircraft	526,186	-	-	-	526,186
Buildings	-	2,198,633	15,230,665	-	17,429,298
Leasehold improvements	-	5,034,129	-	-	5,034,129
Land	1,097,034	-	-	-	1,097,034
	2,870,854	7,264,770	15,940,135	-	26,075,759
Less: Accumulated depreciation	1,480,624	1,433,026	765,978	-	3,679,628
	<u>\$ 1,390,230</u>	<u>\$ 5,831,744</u>	<u>\$ 15,174,157</u>	<u>\$ -</u>	<u>\$ 22,396,131</u>

Depreciation expense for the years June 30, 2009 and 2008 was \$917,629 and \$929,662, respectively.

### **NOTES PAYABLE**

Note payable to a bank; due in monthly principal payments of \$20,834 plus interest at LIBOR plus 1.5% (approximately 1.81% and 3.96% at June 30, 2009 and 2008, respectively); matures October 1, 2013; secured by all McAlister Square property and equipment with net book values totaling \$5,750,379 and \$5,831,744 at June 30, 2009 and 2008, respectively.

	2009	2008
	<u>\$ 2,860,602</u>	<u>\$ 3,110,610</u>

Provisions of the above bank debt agreements require the Foundation to maintain financial ratios and certain other covenants which require or restrict other actions. Management believes the Foundation was in compliance with these covenants at June 30, 2009 and 2008.

The future maturities of debt are as follows for years ending June 30:

2010	\$ 250,008
2011	250,008
2012	250,008
2013	250,008
2014	1,860,570
	<u>\$ 2,860,602</u>

**GREENVILLE TECHNICAL COLLEGE**

Notes to Financial Statements  
June 30, 2009 and June 30, 2008

**NOTE 24 – COMPONENT UNIT INFORMATION, continued****BONDS PAYABLE**

Economic Development Revenue Bonds of \$16,300,000 were issued to the Foundation through its GTF Student Housing, LLC by the South Carolina Jobs - Economic Development Authority (JEDA) to construct student housing for Greenville Technical College. The bonds bear interest at a variable weekly rate determined by the issuing bank's remarketing agent. The interest rate was 2.50% and 1.75% at June 30, 2009 and 2008, respectively. The agreement requires annual sinking fund payments of principal plus interest ranging from approximately \$159,000 to \$940,000 which began in December 2005 and continue through maturity in November 2035. As disclosed on page 56, the Foundation was required to obtain an irrevocable letter of credit in connection with the issuance of the bonds as security for payment of principal and interest on the bonds. The balance of these bonds payable as of June 30, 2009 and 2008 totaled \$14,870,000 and \$16,300,000, respectively.

Schedule of maturities at June 30:

2010	\$	340,000
2011		355,000
2012		365,000
2013		380,000
2014		395,000
Thereafter		13,035,000
	\$	<u>14,870,000</u>

Economic Development Revenue Bonds of \$8,410,000 were issued to the Foundation through its Brashier Charter, LLC by the South Carolina Jobs – Economic Development Authority (JEDA) to construct a charter high school on one of the Greenville Tech College campuses. The bonds bear interest at a variable weekly rate determined by the issuing bank's remarketing agent. The interest rate was 2.50% at June 30, 2009. The agreement requires annual sinking fund payments of principal plus interest ranging from approximately \$318,097 to \$538,653 which will begin when the amount deposited into the capitalized interest account has been depleted and continue through maturity on December 1, 2038. As disclosed on page 56, the Foundation was required to obtain an irrevocable letter of credit in connection with the issuance of the bonds as security for payment of principal and interest on the bonds. The balance of these bonds payable as of June 30, 2009 total \$8,410,000.

Schedule of maturities as of June 30:

2010	\$	130,000
2011		135,000
2012		145,000
2013		150,000
2014		155,000
Thereafter		7,695,000
	\$	<u>8,410,000</u>

During the fiscal year ended June 30, 2009, the credit rating of the financial institution holding the letters of credit for the GTF Student Housing, LLC and the Brashier Charter, LLC was lowered and some of the bond holders were no longer content to hold paper backed by the financial institution and exercised their option to call upon the letter of credit. Approximately \$7,400,000 of GTF Student Housing, LLC's bonds were tendered for a time; however, the financial institution was able to remarket the bonds after June 30, 2009 and before the issuance of the report. There is a possibility that a portion or all of the bonds will be tendered causing financing costs to increase.

## **GREENVILLE TECHNICAL COLLEGE**

Notes to Financial Statements  
June 30, 2009 and June 30, 2008

### **NOTE 24 – COMPONENT UNIT INFORMATION, continued**

#### **LINES OF CREDIT**

The Foundation and its GTF McAlister, LLC, maintain a revolving line of credit with a financial institution for \$500,000 expiring on December 31, 2009. This note is collateralized by real estate and assignment of leases. Interest is payable monthly at LIBOR Index plus the LIBOR margin. There was no amount outstanding under this line of credit at June 30, 2009 or 2008.

The Foundation obtained an open-ended revolving line of credit with a financial institution for \$500,000. This line of credit matures December 10, 2009. This note is collateralized by the housing units with a net book value of \$14,247,973 and \$14,628,739 at June 30, 2009 and 2008, respectively. Interest is payable at the LIBOR Index rate plus 1.75% per annum, or approximately 2.07 % and 7.07% at June 30, 2009 and 2008, respectively. The balance under this line of credit at June 30, 2009 and 2008 totaled \$-0- and \$88,555, respectively.

#### **LETTERS OF CREDIT**

The Foundation, through its GTF Student Housing, LLC, has available an irrevocable letter of credit from a financial institution in the amount of \$16,300,000. This letter of credit was obtained as part of the issuance of the Economic Development Revenue Bonds discussed on page 55. The letter of credit provides security for the payment of principal and interest on the bonds. The amount supporting the principal is \$16,300,000 and the amount supporting up to 45 days of interest is \$200,959. The letter of credit is collateralized by substantially all assets of GTF Student Housing, LLC. The annual fee required for the letter of credit is included in restricted cash on the accompanying balance sheets. The letter expires November 1, 2010, but may be extended with prior notice.

The letter of credit is subject to certain loan covenants including, but not limited to, maintenance of a maximum ratio of indebtedness to tangible net worth. The Foundation was not in compliance with this covenant as of June 30, 2008 and obtained a waiver from the bank. Management is not in compliance as of June 30, 2009, and is awaiting a covenant from the bank.

The Foundation, through its Brashier Charter, LLC, has available an irrevocable letter of credit from a financial institution in the amount of \$8,410,000. This letter of credit was obtained as part of the issuance of the Economic Development Revenue Bonds discussed on page 55. The letter of credit provides security for the payment of principal and interest on the bonds. The amount supporting principal is \$8,410,000 and the amount supporting an interest component of up to forty days is \$92,165. The letter of credit is collateralized by the building constructed by the bond proceeds. The letter expires July 10, 2013 and may be renewed or extended upon approval of request by the financial institution.

Brashier Charter, LLC, through the letter of credit is subject to maintaining a debt service coverage ratio as determined by the issuing financial institution. At June 30, 2009, management believes it is in compliance.

#### **SWAP AGREEMENTS**

The Foundation through its GTF McAlister, LLC, GTF Student Housing, LLC and its Brashier Charter, LLC subsidiaries used variable-rate debt to finance its mortgage on the McAlister property, the 2005 Economic Development Revenue Bonds for the construction of student housing on the Greenville Tech College campus, and to finance the 2008 Economic Development Revenue Bonds for the construction of the charter high school on the Greenville Tech College Brashier campus (See page 55). The debt obligations expose the Foundation to variability in interest payments due to changes in interest rates. Management believes it is prudent to limit the variability of its interest payments. To meet this objective, management entered into interest rate swap agreements to manage fluctuations

**GREENVILLE TECHNICAL COLLEGE**

Notes to Financial Statements  
June 30, 2009 and June 30, 2008

**NOTE 24 – COMPONENT UNIT INFORMATION, continued**

**SWAP AGREEMENTS, continued**

in cash flows resulting from interest rate risk. These swaps changed the variable-rate cash flows exposure on the debt obligations to fixed-cash flows. Under the terms of the interest rate swaps, the Foundation receives variable interest rate payments and makes fixed interest rate payments, thereby creating the equivalent of fixed-rate debt.

By using a derivative financial instrument to hedge its exposure to changes in interest rates, the Foundation exposes itself to credit risk and market risk. Credit risk is the failure of the counterparty to perform under the terms of the derivative contract. When the fair value of a derivative contract is positive, the counterparty owes the Foundation, which creates credit risk for the Foundation. When the fair value of the derivative contract is negative, the Foundation owes the counterparty and, therefore, it does not possess credit risk. The Foundation minimizes the credit risk in derivative instruments by entering into transactions with high-quality counterparties.

Market risk is the adverse effect on the value of a financial instrument that results from a change in interest rates. The market risk associated with interest-rate contracts is managed by establishing the monitoring parameters that limit the types and degree of market risk that may be undertaken.

The Foundation entered into a \$1,250,000 U. S. Dollar Swap Transaction with a bank with an effective date of October 1, 2003, and a termination date of October 1, 2013. The swap was executed with the purpose of fixing the rate on the mortgage. Under the terms of the agreement, the Foundation pays a fixed rate of 5.7% to Wachovia Bank on a monthly basis and, in return, Wachovia Bank pays the Foundation a variable rate equal to Libor plus 1.5%. At June 30, 2009 and 2008, the swap contract had an original notional amount of \$1,250,000 and a current notional amount of \$41,644. The difference between the interest earned and the interest obligation accrued is received or paid the first day of each month and is recorded as interest expense.

On November 15, 2005, the Foundation entered into an \$8,150,000 U. S. Dollar Swap Transaction with an effective date of November 2, 2006, and a termination date of December 1, 2010. This contract was amended on November 27, 2007 and has a maturity date of December 1, 2017. The swap was executed with the purpose of fixing the rate on the bonds issued by the South Carolina Jobs – Economic Development Authority (JEDA). Under the terms of the agreement, the Foundation pays a fixed rate of 3.68% per annum through December 6, 2007 and thereafter a fixed rate of 3.64% per annum to SunTrust Bank on a monthly basis and, in return, SunTrust Bank pays the Foundation a variable rate equal to 67% of USD-LIBOR one London Banking Day preceding the one month rate. At June 30, 2009 and 2008, the swap contract had an original notional amount of \$8,150,000 and a current notional amount of \$11,981,250. The difference between interest earned and the interest obligation accrued is received or paid the first day of each month and is recorded as interest expense.

On July 10, 2008, the Foundation entered into an \$8,410,000 U. S. Dollar Swap Transaction with an effective date of July 10, 2008, and a termination date of December 1, 2038. The swap was executed with the purpose of fixing the rate on the bonds issued by the South Carolina Jobs – Economic Development Authority (JEDA). Under the terms of the agreement, the Foundation pays a fixed rate of 3.89% per annum to SunTrust Bank on a monthly basis and in return, SunTrust Bank pays the Foundation a variable rate equal to the USD-SIFMA Municipal Swap Index (Formerly USD-BMA Municipal Swap Index) plus .06% per annum. At June 30, 2009 the swap contract had an original and current notional amount of \$8,140,000. The difference between interest earned and the interest obligation accrued is received or paid the first day of each month and is recorded as interest expense.

## GREENVILLE TECHNICAL COLLEGE

Notes to Financial Statements  
June 30, 2009 and June 30, 2008

### **NOTE 24 – COMPONENT UNIT INFORMATION, continued**

#### **MCALISTER SQUARE OPERATIONS**

On August 3, 1999, the Foundation purchased the common area, inner stores and main vehicle entrance of McAlister Square Mall in Greenville, South Carolina and Greenville Technical College purchased the three large department store areas and the parking lot. The Foundation and the College renovated certain portions of the mall which house local businesses and student support services. Daily management and leasing arrangements are handled for the Foundation through its wholly owned subsidiary, GTF McAlister, LLC. This agreement is through October 14, 2032, and provides that the Foundation is paid monthly support payments. On July 31, 2004, GTF McAlister, LLC contracted with Carolina Holdings, Inc., a property management company, to perform the day-to-day management functions.

GTF McAlister, LLC leases space to tenants under operating leases which generally range from one to ten years. GTF McAlister, LLC is responsible for property taxes, maintenance and repairs. Substantially all leases include a charge for common area maintenance which is used to offset repair and maintenance costs incurred in common areas.

Minimum future lease receipts under operating leases are as follows:

2010	\$	1,187,317
2011		504,946
2012		118,910
2013		54,963
	\$	<u>1,866,136</u>

#### **RELATED PARTY TRANSACTIONS**

The Foundation leased office space from Greenville Technical College for \$4,000 annually. During 2009, the Foundation moved into offices at McAlister Square, but will continue to pay Greenville Technical College \$4,000 annually for equipment rental and communication services. GTF McAlister, LLC, a subsidiary of the Foundation, manages Greenville Technical College's portion of the McAlister Square Mall for a management fee of \$14,250 per month. For the years ended June 30, 2009 and 2008, total management fees paid to GTF McAlister, LLC and the Foundation by the college totaled \$171,000 per year. The College also reimbursed GTF McAlister, LLC and the Foundation for approximately two-thirds of expenses incurred in running the facility, including common area maintenance (CAM) related expenses. At June 30, 2009, the GTF McAlister, LLC had a receivable due from the College of \$24,008 for CAM expenses. During the year ended June 30, 2009 the College paid maintenance expenses on behalf of the Foundation in the amount of \$132,930 which reduced GTF McAlister Deferred income. Greenville Technical College also acts as the paymaster for the Foundation and GTF McAlister, LLC. The Foundation and the LLC transfer funds to the College each pay period.

The Foundation, through GTF Student Housing, LLC, leases land from Greenville Technical College for \$1 annually. The initial term of this lease commenced on January 1, 2005 and extends for 30 years, ending December 31, 2034.

The Foundation, through Brashier Charter, LLC, leases land from Greenville Technical College for \$1 annually and the College leases from the Foundation, through Brashier Charter, LLC an educational facility. The initial term of this lease commenced May 13, 2008 and extends for 30 years, ending December 31, 2038. Base rent for this educational facility under this lease is an amount equal to the debt service payments owed by Brashier for the development/construction financing obtained by Brashier Charter, LLC plus additional amounts required by the lender under such financing, in its loan documents, to create and maintain certain reserves and a debt service coverage ratio.



**GREENVILLE TECHNICAL COLLEGE**

Notes to Financial Statements  
June 30, 2009 and June 30, 2008

**NOTE 24 – COMPONENT UNIT INFORMATION, continued****NET ASSETS RELEASED FROM RESTRICTIONS**

Net assets released from restrictions as of June 30, 2009 consisted of the following support transferred out of temporarily and permanently restricted funds for payment by unrestricted funds.

	Temporarily Restricted	Permanently Restricted	Total
Scholarships	\$ 269,015	\$ -	\$ 269,015
Student programs	37,359	-	37,359
College faculty/staff development	17,792	-	17,792
College department supplies and activities	216,924	-	216,924
Equipment purchases/gifts-in-kind	188,569	-	188,569
Consulting expenses	142,742		142,742
Total Net Assets Released from Restrictions	<u>\$ 872,401</u>	<u>\$ -</u>	<u>\$ 872,401</u>

Net assets released from restrictions as of June 30, 2008 consisted of the following support transferred out of temporarily and permanently restricted funds for payment by unrestricted funds.

	Temporarily Restricted	Permanently Restricted	Total
Scholarships	\$ 262,469	\$ -	\$ 262,469
Student programs	72,266	-	72,266
College faculty/staff development	9,498	-	9,498
College department supplies and activities	334,538	-	334,538
Equipment purchases/gifts-in-kind	76,799	-	76,799
Total Net Assets Released from Restrictions	<u>\$ 755,570</u>	<u>\$ -</u>	<u>\$ 755,570</u>

**RECLASSIFICATIONS**

Certain accounts have been reclassified for ease of comparison on the financial statements. This has resulted in no change to the statement of financial position, changes in net assets or net assets of the Foundation or its subsidiaries.

# GREENVILLE TECHNICAL COLLEGE

Notes to Financial Statements  
June 30, 2009 and June 30, 2008

## **NOTE 24 – COMPONENT UNIT INFORMATION, continued**

### **SUBSEQUENT EVENTS**

Management has evaluated subsequent events through September 1, 2009, which is the date that these financial statements were available to be issued.

The building and gymnasium on the Brashier Campus of Greenville Tech College opened in August 2009.

The Foundation has entered into a contract to purchase 14 acres of land adjoining the Greer campus of Greenville Tech College for a purchase price of \$350,000. The contract is to finalize in October 2009.

### **FAIR VALUE INFORMATION**

Fair values of assets and liabilities measured on a recurring basis at June 30, 2009 and 2008 were as follows:

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
<u>June 30, 2009</u>			
<b><u>ASSETS:</u></b>			
Investments:			
US Government securities	\$ 750,518	\$ 750,518	\$ -
Mutual funds	621,134	621,134	-
Corporate bonds	907,516	907,516	-
Common Stocks	1,829,198	1,829,198	-
	<u>\$ 4,108,366</u>	<u>\$ 4,108,366</u>	<u>\$ -</u>
<b><u>LIABILITIES</u></b>			
Derivative instruments	<u>\$ 1,491,712</u>	<u>\$ -</u>	<u>\$ 1,491,712</u>

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
<u>June 30, 2008</u>			
<b><u>ASSETS:</u></b>			
Investments:			
US Government securities	\$ 1,517,896	\$ 1,517,896	\$ -
Mutual funds	635,462	635,462	-
Corporate bonds	804,492	804,492	-
Common Stocks	2,012,170	2,012,170	-
	<u>\$ 4,970,020</u>	<u>\$ 4,970,020</u>	<u>\$ -</u>
<b><u>LIABILITIES</u></b>			
Derivative instruments	<u>\$ 568,687</u>	<u>\$ -</u>	<u>\$ 568,687</u>

# GREENVILLE TECHNICAL COLLEGE

Notes to Financial Statements  
June 30, 2009 and June 30, 2008

## NOTE 24 – COMPONENT UNIT INFORMATION, continued

### FAIR VALUE INFORMATION, continued

The valuation techniques for the assets and liabilities above were determined as follows:

- Level 1 fair values for investments were determined by reference to quoted market prices in active markets.
- Level 3 fair values for pledges receivable represent the estimated present values of expected cash inflows. Fair values for derivative instrument liabilities were determined by the Foundation's lending institution and represent the fair values of the future net payments forecasted under the interest rate swap agreement. The valuation model used by the Foundation's lending institutions incorporate various observable and unobservable inputs, including interest rates and credit risk assumptions.

The Foundation had no Level 2 assets or liabilities at June 30, 2009 and 2008.

The following table represents a reconciliation of activity for liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

	GTF McAlister, LLC	GTF Student Housing, LLC	Brashier Charter, LLC	Total
Balance June 30, 2007	\$ 25,720	\$ (36,380)	\$ -	\$ (10,660)
Total realized/unrealized gains or (losses) included in:				
Interest expense	(33,636)	-	-	(33,636)
Cost of financing	-	(524,391)	-	(524,391)
Balance June 30, 2008	(7,916)	(560,771)	-	(568,687)
Total realized/unrealized gains or (losses) included in:				
Interest expense	(20,469)	-	-	(20,469)
Cost of financing	-	(558,797)	(343,759)	(902,556)
Balance June 30, 2009	<u>\$ (28,385)</u>	<u>\$ (1,119,568)</u>	<u>\$ (343,759)</u>	<u>\$ (1,491,712)</u>

	2008	2009
Total gains (losses) included in changes in net assets attributable to the change in unrealized gains or losses relating to derivative instruments still held at June 30, 2009:	<u>\$ (558,027)</u>	<u>\$ (923,025)</u>

# **GREENVILLE TECHNICAL COLLEGE**

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**Independent Auditors' Reports Required by  
Government Auditing Standards and the Single Audit Act**

**Schedule of Expenditures of Federal Awards  
For The Year Ended June 30, 2009**

# GREENVILLE TECHNICAL COLLEGE

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June 30, 2009

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Independent Auditors' Report On Compliance With Requirements  
Applicable To Each Major Program And Internal Control  
Over Compliance In Accordance With OMB Circular A-133

Greenville Technical College  
Greenville, South Carolina

Compliance

We have audited the compliance of Greenville Technical College, a component unit of the South Carolina Technical and Comprehensive Education Board, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. Greenville Technical College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Greenville Technical College's management. Our responsibility is to express an opinion on Greenville Technical College's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Greenville Technical College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Greenville Technical College's compliance with those requirements.

In our opinion Greenville Technical College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of Greenville Technical College is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Greenville Technical College's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Greenville Technical College's internal control over compliance.



A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Greenville Technical College's response to the prior findings identified in our audit is described in the accompanying schedule of prior audit findings and questioned costs. We did not audit Greenville Technical College's response and, we express no opinion on it.

#### Schedule of Expenditures of Federal Awards

We have audited the financial statements of Greenville Technical College as of and for the year ended June 30, 2008, and have issued our report thereon dated September 17, 2009. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the audit committee, management, others within the organization and the federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than those specified parties.

A handwritten signature in blue ink, appearing to read "Clint Brantley & Co. PA".

September 17, 2009

Independent Auditors' Report On Internal Control Over  
Financial Reporting And On Compliance And Other Matters  
Based On An Audit Of Financial Statements Performed  
In Accordance With Government Auditing Standards

Greenville Technical College  
Greenville, South Carolina

We have audited the financial statements of Greenville Technical College, a component unit of the South Carolina Technical and Comprehensive Education Board, as of and for the year ended June 30, 2009, and have issued our report thereon dated September 17, 2009. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Greenville Technical College Foundation as described in our report on Greenville Technical College's report. The Greenville Technical College Foundation's financial statements were not audited in accordance with Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Greenville Technical College's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Greenville Technical College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Greenville Technical College's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Greenville Technical College's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Greenville Technical College's financial statements that is more than inconsequential will not be prevented or detected by the Greenville Technical College's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Greenville Technical College's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Greenville Technical College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of the audit committee, management, others within the organization and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than those specified parties.

A handwritten signature in blue ink, appearing to read "Clint Brantley" followed by a stylized flourish and the initials "E. C. Brantley".

September 17, 2009

**GREENVILLE TECHNICAL COLLEGE**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2009**

<b>DIRECT FEDERAL GRANTOR</b> <b><u>Pass-Through Grantor/Program Title</u></b>	<b><u>Program</u> <u>Period</u></b>	<b><u>Federal</u> <u>CFDA</u> <u>Number</u></b>	<b><u>Federal or</u> <u>Pass-Through</u> <u>Grantor's</u> <u>Number</u></b>	<b><u>Deferred</u> <u>Revenues</u> <u>6/30/2008</u></b>	<b><u>BUDGETED</u> <u>AMOUNT</u></b>	<b><u>Total</u> <u>Expended</u></b>	<b><u>Deferred</u> <u>Revenues</u> <u>6/30/2009</u></b>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>							
<b>STUDENT FINANCIAL ASSISTANCE CLUSTER</b>							
Pell	03-08	84.063	N/A		87,529	87,529	
Pell	08-09	84.063	N/A		17,662,539	17,662,539	
ACG	08-09	84.375	N/A		254,759	254,759	
College Work-Study	08-09	84.033	N/A		479,020	479,020	
SEOG	07-08	84.007	N/A		65,265	65,265	
SEOG	08-09	84.007	N/A		409,189	409,189	
Stafford Federal Direct Student Loan	08-09	84.268	N/A		36,988,424	36,988,424	
Total Student Financial Assistance Cluster					55,946,725	55,946,725	
<b>TRIO CLUSTER</b>							
Student Support Services	08-09	84.042A	N/A		359,024	359,024	
Upward Bound	08-09	84.047A	N/A		246,671	246,671	
Total TRIO Cluster					605,695	605,695	
<b>HIGHER EDUCATION - INSTITUTIONAL AID</b>							
Title III - Addressing needs of underprepared students	08-09	84.031A	N/A		108,037	108,037	
<b><u>Passed through State Department of Education</u></b>							
Transitions/Perkins/Career & Technology Education	08-09	84.048	09VA407		824,999	824,999	
<b>Total U.S. Department of Education</b>					57,485,456	57,485,456	
<b><u>U.S. DEPARTMENT OF HEALTH &amp; HUMAN SERVICES</u></b>							
<b><u>Passed Through State Health &amp; Human Services</u></b>							
Child Care Block Grant	08-09	93.575	N/A		733,352	733,352	
SC HHS Finance Commission	08-09	93.667	N/A		99,296	99,296	
Early Childhood/Teach Scholarship	08-09	99.999	N/A		47,848	47,848	
<b>Total U.S. Department of Health &amp; Human Services</b>					880,496	880,496	

**GREENVILLE TECHNICAL COLLEGE**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2009**

<u>DIRECT FEDERAL GRANTOR</u> <u>Pass-Through Grantor/Program Title</u>	<u>Program</u> <u>Period</u>	<u>Federal</u> <u>CFDA</u> <u>Number</u>	<u>Federal or</u> <u>Pass-Through</u> <u>Grantor's</u> <u>Number</u>	<u>Deferred</u> <u>Revenues</u> <u>6/30/2008</u>	<u>Accrued</u> <u>Revenue</u> <u>Federal</u>	<u>Total</u> <u>Expended</u>	<u>Deferred</u> <u>Revenues</u> <u>6/30/2009</u>
<b><u>U.S. DEPARTMENT OF LABOR</u></b>							
WIA Nurse Return to Work	08-09	17.269	HG181560960A45		15,240	15,240	
<b><u>Passed Through State Department of Commerce</u></b>							
EMT Apprenticeship Program	08-09	17.258 & 60	8-APP-005		100,211	100,211	
HVAC Apprenticeship Program	08-09	17.258	8-APP-011		2,364	2,364	
<b>Total U.S. Department of Labor</b>					<b>117,815</b>	<b>117,815</b>	
<b><u>U.S. DEPARTMENT OF STATE</u></b>							
<b><u>Passed Through Georgetown University- Cooperative Agreement</u></b>							
NESA (Near East and South Asia)	08-09		GTCRX205088407E		258,859	258,859	
<b><u>Passed Through Kirkwood CC- Cooperative Agreement</u></b>							
Community College Summit Initiative Program	08-09		GTC2008-12EGYPT		185,892	185,892	
Community College Summit Initiative Program	08-09		GTC2008-12CCSIP		128,727	128,727	
<b>Total U.S. Department of State</b>					<b>573,478</b>	<b>573,478</b>	
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>							
<b><u>Passed Through SC Department of Social Services</u></b>							
Child Care Food Program	08-09	10.558	N/A		20,064	20,064	
<b>Total U.S. Department of Agriculture</b>					<b>20,064</b>	<b>20,064</b>	
<b><u>DEPARTMENT OF COMMERCE</u></b>							
<b><u>National Institute of Standards Technology</u></b>							
<b><u>Passed Through the University of South Carolina</u></b>							
Manufacturing Tech Center	08-09	11.611	N/A		51,566	51,566	
<b>Total Department of Commerce</b>					<b>51,566</b>	<b>51,566</b>	

**GREENVILLE TECHNICAL COLLEGE**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2009**

<u>DIRECT FEDERAL GRANTOR</u> <u>Pass-Through Grantor/Program Title</u>	<u>Program</u> <u>Period</u>	<u>Federal</u> <u>CFDA</u> <u>Number</u>	<u>Federal or</u> <u>Pass-Through</u> <u>Grantor's</u> <u>Number</u>	<u>Deferred</u> <u>Revenues</u> <u>6/30/2008</u>	<u>Accrued</u> <u>Revenue</u> <u>Federal</u>	<u>Total</u> <u>Expended</u>	<u>Deferred</u> <u>Revenues</u> <u>6/30/2009</u>
<b><u>NATIONAL SCIENCE FOUNDATION</u></b>							
NSF/Visins Laboratory	07-08	47.076	DUE-0703061		181,614	181,614	
NSF/ATE Engineering Technology Project	07-08	47.076	DUE-0501978		41,433	41,433	
<b><u>Passed Through Clemson University</u></b>							
NSF/Mechatronics	07-08	47.076	1103-206-200-5874		11,693	11,693	
NSF/ATE Biosystems Technology	07-08	47.046	1142-206-200-6108		26,983	26,983	
<b>Total National Science Foundation</b>					261,723	261,723	
<b><u>U.S. Department of Justice</u></b>							
<b><u>Office of Community Oriented Policing Services</u></b>							
2005 RCPI Integrity/Public Trust Initiative	07-08	16.710	2005HSWXK018		76,389	76,389	
2005 CICI Intranet Host Project	07-08	16.710	2005CKWXK040		6,502	6,502	
2006 CICI Meth Awareness Project	07-08	16.710	2006CKWX0478		16,775	16,775	
2007 CICI Terrorism & Gang	07-08	16.710	2007CKWXK026		15,940	15,940	
2008 Counter Terrorism Conference	08-09	16.710	2008CKWX0612		7,969	7,969	
<b><u>Office of Justice Programs</u></b>							
2007 Franklin Covey Grant	07-08	16.580	2007DDBXK161		729,704	729,704	
<b>Total U.S. Department of Justice</b>					853,279	853,279	
<b>TOTAL FEDERAL AWARDS</b>					60,243,877	60,243,877	



**GREENVILLE TECHNICAL COLLEGE**  
Notes to Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2009

1. GENERAL

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards of Greenville Technical College. The reporting entity is defined in Note 1 of the College's financial statements.

2. BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note 1 of the College's financial statements.

3. FEDERAL LOAN PROGRAMS

The College has students who have approved loans which were received by those students during the current year. The College is not the lender, it only processes them for the lender the student chooses. The totals and types of loans received for the current fiscal year are:

William D. Ford Federal Direct Loans -	Subsidized	\$	17,816,921
	Unsubsidized		<u>19,171,503</u>
		\$	<u><u>36,988,424</u></u>

**GREENVILLE TECHNICAL COLLEGE**  
Summary Schedule of Prior Audit Findings  
June 30, 2009

**Findings Relating to the Financial Statements:**

There were no findings relating to the financial statements.

**Findings and Questioned Costs Relating to Federal Awards:**

There were no findings and questioned costs relating to federal awards.

**GREENVILLE TECHNICAL COLLEGE**  
Schedule of Findings and Questioned Costs  
June 30, 2009

**Summary of Auditors' Results:**

GAGAS

An unqualified opinion was issued on Greenville Technical College's general purpose financial statements dated September 17, 2009.

There were no significant deficiencies or material weaknesses. No instances of noncompliance material to the financial statement were disclosed by the audit of their financial statements.

A-133

An unqualified opinion was also issued on compliance of major programs at Greenville Technical College dated September 17, 2009. No significant deficiencies in the internal control over major programs were found. Our audit disclosed no audit findings that are required to be reported under OMB Circular A-133.

The major programs at Greenville Technical College are the Student Financial Aid Cluster, TRIO Cluster, Carl D. Perkins Career and Technical Education Act of 2006, Title I CFDA # 84.048 from the U.S. Department of Education and the 2007 Franklin Covey Grant CFDA #16.580 from the Office of Justice Program. Type A or major programs are defined as those that expended \$697,686 of total Federal Awards expended at the College. Greenville Technical College's total federal awards expended for the year ended June 30, 2009 were between \$10 million and \$100 million.

Greenville Technical College is not considered a low-risk auditee according to the criteria in OMB Circular A-133.

**Findings Relating to the Financial Statements:**

There were no major findings relating to the financial statements.

**Findings and Questioned Costs Relating to Federal Awards:**

There were no findings or questioned costs related to federal awards.